Austria ... Sch. 18	Indonesia ... Rp 2500	Portugal ... Esc 60
Bahrain ... Din 0.650	Italy ... L 1700	S. Arabia ... Rls 6.00
Belgium ... Bfr 38	Japan ... Y650	Singapore ... S$ 4.10
Canada ... C$2.00	Jordan ... Fils 500	Spain ... Pta 100
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... Dkr 7.25	Lebanon ... L£ 6.00	Sweden ... Skr 6.50
Egypt ... E£1.00	Luxembourg ... LFr 38	Switzerland ... SFr 2.00
Finland ... Fmk 5.50	Malaysia ... Rgt 4.25	Taiwan ... NT$ 35
France ... Fr 6.00	Mexico ... Peso 300	Tunisia ... Din 0.600
Germany ... DM 2.20	Morocco ... Dh 6.00	Turkey ... L 180
Greece ... Dr 60	Netherlands ... fl 2.50	U.A.E. ... Dh 6.50
Hong Kong ... HK$ 12	Norway ... Nkr 6.00	U.S.A. ... $1.50
India ... Rup 15	Philippines ... Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,494 — Friday December 7 1984 — D 8523 B

Grim lessons of the tragedy in India, Page 16

NEWS SUMMARY

Hostages killed in Tehran hijacking

Hijackers of a Kuwaiti Airbus killed at least four hostages at Tehran airport. The official Iranian news agency IRNA said that one passenger, led on to the gangway stairs outside the aircraft, identified himself as the U.S. consul in Karachi, before hijackers shot him dead.

The State Department in Washington said later that there was a strong possibility that at least one U.S. official had been killed during the hijack, but that the consul was safe in Karachi.

The hijacking is believed to be in revenge for Kuwait's jailing of 13 men involved in embassy bombings last November. One Lebanese and two Iraqis were sentenced to death but the executions have not apparently been carried out.

GENERAL

Reagan in budget cut initiative

President Reagan has seized the political initiative by demanding from his Cabinet draconian cuts in federal spending to try to reduce the budget deficit from $224bn to $100bn by 1988. Fierce opposition is expected from Congress and from interest groups that can see the flow of federal dollars slowing and in some cases drying up. Page 18

Marcos 'to visit U.S.'

Philippine President Ferdinand Marcos plans to attend the inauguration of President Ronald Reagan next month and seek medical treatment in the U.S., his aides said.

Colombo curfew

Sri Lanka's Government imposed a curfew in the capital, Colombo, and ordered troops to shoot troublemakers on sight. In the North-West residents have accused soldiers of killing at least 83 unarmed civilians after a Tamil attack on an army convoy.

SA bishops accuse

Three South African Roman Catholic archbishops and a bishop accused South African police of indiscriminate shooting, violence and rape to quell riots in black townships in which about 170 people have died this year.

Unionist surrenders

An underground leader of Poland's banned Solidarity trade union, Eugeniusz Szumiejko, surrendered to police under the Government's political amnesty.

UK snubs sea treaty

Britain announced that it would not sign the 1982 United Nations Law of the Sea Convention but would not oppose signature by the European Community.

Red Brigades jailed

A Milan court sentenced 19 members of the Red Brigades guerrilla organisation to prison for life for murder and 80 others to terms of up to 30 years for other crimes.

Iceland bases

Iceland, a Nato member, plans to construct two new radar stations to counter a Soviet naval build-up in the Arctic.

Corsica peace march

Tens of thousands of people marched through the southern Corsican city of Ajaccio to protest at violence and extremism on the island.

Spain bus deaths

At least four people were killed when a bus plunged off a coastal road into the sea near the Spanish Basque town of Zumaya.

Medicine men meet

Hundreds of natural healers from 35 countries began a four-day meeting in Madrid on ways of legitimising their centuries-old practices in the eyes of sceptical government bodies and the medical profession

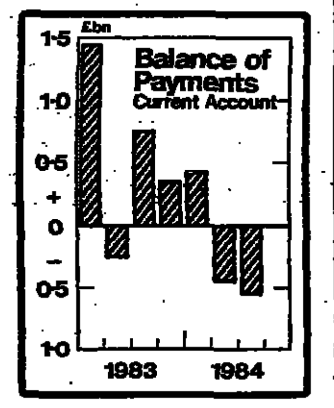
BUSINESS

Bluebell to pull out of Europe

BLUEBELL, the U.S. Wrangler jeans group, is to close its European operations with the loss of 900 jobs. The decision will affect manufacturing facilities in Belgium and sales operations in France and the Netherlands. It plans to license the Wrangler brand name in Europe.

DOLLAR lost ground in London, falling to DM 3.0625 (DM 3.0785), SwFr 2.5245 (SwFr 2.545), FFr 9.3825 (FFr 9.42) and Y246.55 (Y248.75). On Bank of England figures, the dollar's exchange-rate index improved slightly to 142.5 from 142.4. Page 37

STERLING was weaker in London, falling 15 points against the dollar to $1.2065. It was also lower at DM 3.69 (DM 3.72), SwFr 3.045 (SwFr 3.08), FFr 11.3 (FFr 11.39) and Y297.5 (298.25). The pound's exchange-rate index was unchanged at 74.7. Page 37



WALL STREET: By 3pm the Dow Jones industrial average was 0.66 down at 1,170.94. Section III

LONDON equities were dull although gilts attracted some support. The FT Ordinary index fell 6.5 to 908.4. Section III

TOKYO shares experienced a late rally taking the Nikkei Dow market average 16.85 higher to 11,559.84. Section III

GOLD fell 25 cents on the London bullion market to finish at $330.50. It was also lower in Zurich at $329.85. Page 36

KRAUSS MAFFEI, the West German defence contractor, said its reputation was being damaged by speculation that its parent company, Friedrich Flick, was trying to sell it because of financial difficulties. Page 20

LAZARD FRERES, the investment bank, may take a 20 per cent stake in Mediobanca, the Milan-based merchant bank controlled by the state-owned IRI group, in a share deal worth $98m. Page 20.

HITACHI, the Japanese electronics group, lifted its first half net earnings by 27 per cent to Y101bn ($407.8m). Page 20.

ASEA, the large Swedish electrical engineering and electronics group, is under investigation by U.S. trade authorities for suspected circumvention of American high-technology export restrictions. The far-reaching investigation might lead to significant fines or even the denial of export licences for key electronic components needed for many Asea products.

IRWIN JACOBS, the Minneapolis investor, confirmed that he had purchased a 1.8m block of ITT shares. Wall Street Report, Page 27

India may seek to speed claims as gas toll rises

BY K. K. SHARMA IN NEW DELHI AND TERRY DODSWORTH AND PAUL TAYLOR IN NEW YORK

THE DEATH toll in India's poison gas tragedy rose to more than 2,000 yesterday amid expectations that the Indian authorities would seek a negotiated settlement of compensation claims against Union Carbide, majority owner of the plant to avoid long drawn-out legal action.

The growing dimensions of the tragedy were highlighted not only by the death toll – higher than any previous industrial disaster – but also by reports from doctors in the stricken town of Bhopal that thousands of their patients may have been afflicted by paresis, a form of partial paralysis.

Doctors fear serious neurological complications as part of the after-effects of inhaling the deadly methyl isocyanate gas that leaked into the atmosphere in a 40-square-mile area of Bhopal. They said the cases of partial paralysis were similar to those caused by phosgene, a nerve gas.

As a result, Union Carbide might face the prospect of huge damage and compensation claims as nearly 25 per cent of Bhopal's 800,000 population is thought to have inhaled the gas and be at risk from some kind of disablement.

Böhringer, the West German chemicals and pharmaceuticals manufacturer, says it might face costs "running into hundreds of millions of marks" for the clean-up of its former plant near Hamburg, shut down by a city tribunal for producing excessive residual waste containing the lethal chemical dioxin. Page 20

The Madhya Pradesh state government was reported by the Press Trust of India to have filed a criminal negligence case against Union Carbide after taking legal advice. Nevertheless, officials seem to hope that the U.S. company will agree to a negotiated settlement.

Mr Stuart Speiser, a leading New York lawyer in product-liability cases, said yesterday that he thought negotiated compensation was the most likely outcome. Mr Speiser said he had rejected approaches from India asking him to represent families of possible claimants.

The consensus among New York lawyers was that successful foreign claims against U.S. companies must involve products conceived, manufactured and marketed in the U.S. Lawyers say it would be difficult to establish Union Carbide's responsibility on such grounds.

The company's woes mounted yesterday when its top executives were refused access to the plant in Bhopal. A member of a technical team that arrived in India yesterday, led by Mr Warren Anderson, chairman and chief executive, was turned away by police. According to a Union Carbide spokesman, Mr Anderson himself was refused Indian Government permission to visit the factory.

Union Carbide said yesterday that no reason for the Indian decision was given. Company officials said Mr Anderson flew to India to begin wide-ranging talks with the Government about the disaster and its implications in an attempt to im-

Continued on Page 18

Head office team grapples with aftermath of disaster, Page 3; The grim lessons of Bhopal, Page 16; Stock markets, Section III

Ministers block EEC anti-pollution proposals

BY PAUL CHEESERIGHT IN BRUSSELS

THE EUROPEAN Commission's campaign against acid rain was checked yesterday when EEC environment ministers threw out proposals for much stricter emission standards at large combustion plants such as power stations.

The proposals were the main plank in the Commission's anti-pollution programme. They were closely modelled on West German legislation, and provided for a 60 per cent cut in sulphur dioxide emissions and a 40 per cent reduction in oxides of nitrogen and dust emissions by 1995, with the base as 1980.

Brief discussion by ministers showed that Denmark, Greece, Ireland, Italy and the UK all had such serious reservations that agreement would be impossible.

The British Government this week said the programme was not only too costly – about £1.5bn ($1.8bn) in the UK – but there was no proven link between power station emissions and acid rain.

Ministers also had difficulty in deciding how they should implement the June decision to make the sale of lead-free petrol in the EEC compulsory from 1989 and optional from 1986. They confirmed the dates and settled on 95 octane as the petrol grade.

They could not decide, however, how to ensure that supplies of lead-free and leaded petrol would be available to motorists during the transition period. The difficulty is acute because of the West German determination to bring in lead-free petrol more rapidly than other Community countries.

The wider question of setting a timetable for bringing EEC car exhaust emission standards to the U.S. and Japanese level remains unsettled. West Germany, which intends to introduce them unilaterally from 1988-89 by making the fitment of catalytic convertors to cars compulsory was still isolated.

Late yesterday evening, ministers were trying to decide on the form of a declaration that would accept the principle of stricter emissions and define the fashion in which they would move to a joint decision.

France, Italy and the UK do not want to be tied to a timetable that would make the use of catalytic convertors compulsory since they are seen as obsolescent, costly and inefficient in small cars.

The three countries are much more sympathetic than West Germany to the Commisson suggestion that U.S. and Japanese standards should be achieved by 1995.

Phillips wins court order to restrain Pickens's share offer

BY WILLIAM HALL IN NEW YORK

THE BATTLE for Phillips Petroleum, the ninth biggest U.S. oil company, moved into top gear yesterday. Phillips won a temporary restraining order blocking Mr T. Boone Pickens's tender offer for at least 15m of Phillips' 153m shares and Mr Pickens disclosed plans to dismiss the Phillips board.

Phillips won the restraining order in an Oklahoma district court after arguing that Mr Pickens's tender offer would breach an agreement between Mesa Petroleum, Mr Pickens's master company, and General American Oil, which Phillips rescued from a Mesa takeover.

According to the agreement, Mesa was precluded for a five-year period starting on January 6 1983, from buying any shares of Phillips Petroleum. The court will hear Phillips's request for a temporary injunction barring the proposed tender offer on next Friday.

Earlier yesterday in a filing with the U.S. Securities and Exchange Commission (SEC) Mesa said it was going to seek Phillips's shareholders' approval to oust the existing board and elect four of its own nominees. Mesa also said it planned to make changes in the company's bye-laws.

Mesa also disclosed that Texas Commerce Bank and Mellon Bank were leading a group of banks providing it with a $1.1bn line of credit to support its share bid. Aside from several U.S. banks, the syndicate includes Bank of Scotland, Swiss Bank Corporation and Société Générale.

Phillips shares rose another $¼ to $53¾ in heavy trading yesterday morning as Wall Street analysts speculated on the strengths and weaknesses of the two sides. Phillips, which has retained Morgan Stanley, the blue-chip investment bank, is regarded as vulnerable to a corporate predator such as Mr Pickens.

On the other hand, Wall Street analysts argue that there are very few "white knights," in the form of big U.S. oil companies, that could step into the battle and take Phillips away from Mr Pickens as was the case with his earlier targets such as Gulf, Cities Service and General American Oil.

Although Wall Street is not ruling out the appearance of a rival bidder for Phillips or a decision by Phillips to initiate a friendly takeover of another oil company, there are serious doubts whether Mr Pickens and his investor group could complete a $9.3bn takeover of Phillips on their own account.

Phillips shares have risen sharply from their trading level of just over $30 when the merger wave first hit Wall Street a year ago and its break-up value has been falling as a result of lower oil prices.

Analysts say that its break-up value is around $76 a share.

Stock markets, Section III

UK oil prices to be linked to spot market

By Ian Hargreaves and Dominic Lawson in London

BRITAIN yesterday signalled its departure from a system of setting North Sea crude-oil prices through long-term contracts in favour of a more flexible approach linked to spot-market prices.

Mr Ian Goskirk, chief executive of the British National Oil Corporation, told the House of Commons Energy Committee that BNOC, having lost half its contract customers in recent weeks, had to find a way of making its prices conform more with market realities.

"Changes will have to be made. There is very little doubt about that. But exactly what they will be and how they will emerge, I could not say," he said.

He added, however, that two crucial changes in the system would be "contract period and the extent to which spot prices are taken into account." At present, BNOC sets prices quarterly, but is under pressure to switch to shorter periods.

It was clear from the oil market yesterday, however, that BNOC had already started to dispose of very large quantities of oil for January and February delivery at spot prices.

Traders said that BNOC had sold five to seven cargoes – 2.5m to 3m barrels of oil – at prices between $27.50 to $27.60 a barrel, well below the official price of $28.65.

That is seen in the market as recognition by BNOC that its quarterly contract pricing system has, in effect, already been abandoned. BNOC's remaining contract customers are understood to have told it that although they will not refuse January cargoes, they expect the price to be spot-related.

That is seen in the market as a further indication that BNOC's quarterly contract price system is crumbling, as the corporation is forced to sell more and more of its oil at spot, rather than contract prices. BNOC's remaining contract customers are understood to have told it that although they will not refuse January cargoes, they expect the price to be spot-related.

BNOC officials were being questioned yesterday by the Commons committee about the £45m subsidy recently announced by the Government to cover the corporation's trading losses this year. The losses are a result of BNOC's buying oil at higher contract prices and having to sell it for less on the spot market.

Mr Goskirk admitted that in July, after consultations with the Gov-

Continued on Page 18

Saudis give petro pledge, Page 4

Plan for CDs hits French bond market

BY PAUL BETTS IN PARIS

FRENCH bond prices fell in heavy trading yesterday after the Government's decision to allow banks to issue certificates of deposit (CDs) for the first time.

The decision to introduce CDs reflects the Government's efforts to modernise French financial and money markets. The Government, however, clearly miscalculated the markets' reaction to the announcement on Wednesday night by M Pierre Bérégovoy, the Finance and Economy Minister, to allow trading in CDs next year.

Trading in the bond market was delayed yesterday because of a surge of sell orders. In the general confusion of the market, traders were unable to give precise figures for the huge trading volume yesterday. They said volume soared to between FFr 15bn ($1.6bn) and FFr 50bn ($5.3bn) yesterday compared to a daily trading average of between FFr 2bn and FFr 3bn.

After heavy losses in the early part of the day, bond prices fell by an average of around 2 per cent by the end of the session as a result of heavy intervention to stabilise the market by the Caisse des Dépôts, the state financial institution, which traditionally acts as the gendarme of the market.

Traders said that the Government had made a mistake not to give the market advance notice of its CD announcement. They also criticised the lack of precise technical details on the new short-term instruments.

In an effort to calm the markets, the Finance Ministry last night said the introduction of CDs would be done in close consultation with the market to ensure their smooth and gradual integration into the financial system.

The introduction of CDs is designed to give large French enterprises an additional money-market instrument widely used in the U.S. and the UK. The monetary authorities also believe the introduction of CDs will help to integrate more the French financial market with the money market.

The bourse was worried, however, that the new CDs would drain funds away from Treasury Bill mutual funds and the long bond mar-

Continued on Page 18

Stock markets, Section III

Chrysler aims to buy back shares

BY WILLIAM HALL IN NEW YORK

CHRYSLER, the third largest U.S. car company, illustrated its rapid return to financial health yesterday by announcing plans to spend as much as $700m on repurchasing up to a fifth of its shares.

The car maker, whose earnings have more than tripled to $1.77bn in the first nine months of 1984, said yesterday that its board had approved the purchase of up to 25m of the company's common stock.

It intends to complete the purchases over the next two years if the shares are available at prices it considers attractive. Chrysler shares, which at the depths of its financial difficulties in 1981 had dropped to nearly $3, rose by $1½ to $28½ in heavy trading yesterday.

Several big U.S. companies have been taking advantage of the recent weakness on Wall Street to repurchase their shares.

However, Chrysler's move is more than an opportunistic investment and is seen by Wall Street as a sure sign that the company's financial affairs are once again in order.

Chrysler said yesterday that it believed its stock was undervalued given its future prospects and operating plans. The move would go some way towards reducing the dilution that resulted from the company's earlier financial restructuring, which occurred while it was battling for survival.

The company has issued about 57m shares in the last four years, principally as contributions to its employee stock ownership programme and as a result of its 1983 recapitalisation plan. It feels it is now prudent to reduce the number of outstanding common shares, which currently total 124m.

Chrysler, which came close to filing for bankruptcy five years ago before being bailed out by the U.S. Government, has improved its financial situation considerably over the last 12 months, at the end of September it had cash and marketable securities of $1.6bn, compared with $550m a year ago.

Stock markets, Section III

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UK may be ordered to repay EEC dairy subsidies

BY IVO DAWNAY IN BRUSSELS

THE UK may be ordered to repay about Ecu 45m (£25m) to the European Community for alleged irregularities in its milk pricing policy, according to unofficial reports.

The repayments are being sought by Sig Carlo Facini, the EEC's financial controller for the marketing year 1980-81 and further claims are likely to be made for subsequent years.

On Wednesday, however, Commissioners discussing the year's accounts decided to pass the final decision to the new Commission, taking office next month.

The issue first made *international headlines earlier this year* when the controller called for Ecu 775m—a sum almost exactly equivalent to the UK's £475m budget repayment—for alleged infractions committed in an earlier year.

This was later ruled out due to legal technicalities, but the UK is understood to be much more vulnerable to the claim for subsequent dairy production. Throughout the summer British diplomats have worked frantically behind the scenes both to have the claim dropped and to seek similar irregularities by other member states should it be raised again.

A British clampdown on public discussion of the issue has indicated the seriousness with which the UK is taking the claim. And there was clear annoyance among diplomats when Sir Stephen Roberts, chairman of the Milk Marketing Board (MMB), chose last month to visit Brussels.

The substantial reduction in the financial controller's claim means that this time he has made an assessment of the financial advantage the UK is alleged to have gained through operating a two-tier pricing system for milk. It also makes prosecution of the charge more feasible.

The complaint, which is also the subject of two Commission and one Irish court cases, alleges that different rates paid by the MMB for milk had the effect of excluding imports from other member states against EEC rules.

Shopping hours row in Austria

By Patrick Blum in Vienna

AN EXTRAORDINARY dispute has brought the church, members of the Government, political parties and the trade unions at loggerheads over shopping hours in Austria.

In an unusual alliance, Herr Alfred Dallinger, the left-wing Socialist Minister for Social Services, has joined ranks with leading representatives of Austria's conservative Roman Catholic establishment and Church to oppose attempts by Dr. Norbert Steger, the liberal vice-Chancellor and Trade Minister, and some provincial governments, to keep shops open all day tomorrow for pre-Christmas shopping.

December 8 – the day celebrating the immaculate conception of Mary – is traditionally a national religious holiday and all shops are closed. This year it happens to fall on one of the four pre-Christmas Saturdays when shops are allowed to open all day instead of closing at 12 noon sharp as is otherwise required by law.

Herr Dallinger and the Church insist that shops must be closed all day.

Dr Steger wants more flexibility for traders and a liberalisation of the rules which strictly control opening times on Saturdays and in the evenings. The left and trade union wing of the Socialist Party are deeply opposed to any changes in the rules and on this occasion they have been joined by the Church.

Some provincial governments and local traders would like the shops to stay open for one simple reason: they do not want to lose a day's trading and see large numbers of shoppers going over the border from Carinthia to Italy or from Salzburg to West Germany to do their Christmas shopping.

Dr Wilfriet Haslauer, a member of the conservative People's Party and Governor of Salzburg, still resists Herr Dallinger's order that shops must be kept closed.

Paris grapples with New Caledonia imbroglio

BY DAVID HOUSEGO IN PARIS

NEW CALEDONIA is now becoming a political test for the French Socialist Government in much the same way as the Falklands was for Mrs Thatcher in Britain.

Reflecting the high stakes involved, M Laurent Fabius, the Prime Minister, yesterday took over direct responsibility for the issue — shunting aside the unfortunate M Georges Lemoine, secretary of state for the overseas territories, who failed to give the Government warning of the explosion that has now hit them.

Television and newspaper coverage from New Caledonia is bruising to the Government because of pictures of half-clothed Melanesian separatists holding at bay French riot police while angry French settlers mouth their fury at the Government for their failure to protect them.

Echoes of the Algerian war are never far away, if only because some of the French settlers who left Algeria at the time of independence settled in New Caledonia. One was quoted yesterday by the AFP correspondent covering Wednesday's murder of eight Melanesians — including three of the brothers of the separatist leader M Jean-Marie Tjibaou — at Hienghiene in the north of the island.

He said: "We will hold on whatever the cost. I have thrown my lot in with New Caledonia. I have a house here and I sweated to get it. I am now ashamed of being French and above all ashamed of being a former soldier. I don't fear reprisals (after Hienghiene). I know they are coming."

In New Caledonia the situation was tense yesterday as reports filtered back to France of the full extent of the bloodletting at Hienghiene — the worst since the violence erupted after the November 18 elections.

Separatists and the local gendarmerie gave conflicting accounts of the incident—the separatists claiming that a group of Melanesians had fallen into an ambush, while the gendarmerie said that the Melanesians had first set fire to a white homestead.

In spite of the tension and the *killing of three of his* brothers, M Tjibaou called on his followers yesterday to lift the roadblocks that they have placed throughout the territory and which have left villages and gendarme posts cut off.

His appeal followed the first *picture of appeasement* from M Edgard Pisani, the newly appointed Commissioner for the territory, who announced the release of 17 separatists who have been under detention. The separatist FLNKS had demanded their release as a prelude *to raising the road blocks*.

M Pisani has left no doubt that the French anti-terrorist squad was preparing to reassert the Government's authority by a clean-up operation to remove the road blocks themselves.

M. Pisani also laid out a political timetable for speeding up the process of self determination. He would begin political consultations after December 15, make proposals on January 5 as a basis for discussion, and submit his recommendations to Paris on February 2—exactly two months after his arrival on the island.

The problem is that the indigenous Melanesians are now in a minority among the 133,000 population because of successive waves of immigration by French and other settlers. But they have long seen in the French Socialist Government in hope of achieving an independence that will give them a dominant voice in the administration.

They fear that unless they obtain this before the French legislative elections of 1986, the right will be returned to power in France and their opportunity lost.

The European population likewise believes that if they can hold off independence until 1986, then a new right-wing administration would postpone independence indefinitely after that.

The future of New Caledonia is thus intimately tied up with the unfolding domestic political struggle in France. The proposals that N. Pisani makes will need not only the acquiescence of the various groups in the territory. They also will need the endorsement of the opposition in France. His trump card is that he was a Gaullist who turned Socialist.

But at the moment it looks as though the Opposition intends a bed of thorns for the Government in New Caledonia rather than to help it with its problems.

Row erupts over electronics aid

BY PAUL BETTS IN PARIS

CONTROVERSY has broken out over the French Socialist Government's electronics programme following the publication of a report by the leading French Right-wing opposition party, the RPR, describing it as one of the Government's biggest setbacks.

Mme Edith Cresson, the Industry and Foreign Trade Minister, yesterday called the report prepared by M Michel Noir, an RPR deputy, "an intolerable manipulation of the facts."

The report claimed that the Government was not giving the electronics industry sufficient financial aid and that its strategic decisions including the restructuring of the telephone equipment industry had proved to be failures. It suggested that the chairmen of the nationalised electronics industries acted as government pawns.

M Noir also criticised a recent agreement between the French nationalised Thomson group and IBM in the semiconductor sector and the decision to block the sale of Thomson's medical equipment subsidiary CGR to a subsidiary of Johnson and Johnson of the U.S.

Mme Cresson argued yesterday that the sector was finally bucking its declining trend. From FFr 3.2bn (£280m) in 1976, losses by the French electronics industry swelled to FFr 14.7bn in 1982. In 1983, they declined to FFr 8.5bn and are expected to be less than FFr 6bn this year.

The Government is supporting the industry with some FFr 11bn in aid this year which is likely to rise to about FFr 12bn next year. But Mme Cresson acknowledged that the industry had not achieved the employment targets originally hoped for by the Government. However, she claimed there had not been a decline in the overall employment.

Difficulties in restructuring both the French telecommunications and electronics industries have led to tensions with the trade unions because of redundancies.

The sector has been hit by the overall decline in large French export contracts which fell by 40 per cent between 1982 and 1983 and again by another 40 per cent between 1983 and 1984, according to Industry Ministry officials.

Mme Cresson described the RPR report as "a blow below the belt against a vital sector of the economy."

Commission divides up the portfolios

BY QUENTIN PEEL IN BRUSSELS

THE TRADITIONAL "night of the long knives" in the European Commission, when new members fight for the best jobs on the eve of taking office, should be transformed into two harmonious "days of the long spoons" when 13 of the 14 get together today at an old abbey outside Paris.

The two-day meeting at the Abbaye de Royaumont has been convened by M Jacques Delors, the former French Finance Minister and President-elect of the new Commission, precisely in order to sort out the portfolois well in dance of taking office in January.

The indications are that most of the negotiations have already been done. It is reliably reported *that the key industrial* and internal market portfolios will go to West German and British nominees; external relations will be split between Belgium and France; and Italy will get development. Agriculture will go to the Netherlands, while Denmark takes the economic portfolio.

The likely line-up means that Britain should get portfolios in two of the areas closest to Mrs Thatcher's heart: pushing ahead with development of a genuine Common Market in goods and services, and simultaneously, agreeing on a common transport policy.

The division of the industrial area between Britain and West Germany, means that these portfolios will be left entirely with those who are essentially free marketeers, as opposed to the more interventionist tradition, of France, and indeed of Viscount Etienne Davignon the previous Industry Commissioner.

The toughest job for M Delors has been to accommodate his former colleague M Claude Cheysson, the French Foreign Minister who was finally confirmed as the second French nominee by President Mitterrand at this week's Dublin summit.

M Cheysson had made it quite clear he wanted to get back the development portfolio he held for eight years in the 1970s, while M Delors argued that no country could lay claim to a particular job forever. Development has been in French hands since the foundation of the European Community.

Now it looks virtually certain that Sig Lorenzo Natali, Italian Commissioner currently responsible for enlargement and relations with Mediterranean states, will take over development, while M Cheysson will be responsible for half the external relations portfolio, covering Latin America, the Mediterranean and the states of the Association of South-East Asian *Nations*.

The other half of external relations will go to Mr Willy de Clercq the new Belgian commissioner and former Finance Minister, including the key questions of trade relations with the U.S. and Japan, according to the latest reports.

Herr Karl-Heinz Narjes of West Germany, currently in charge of the internal market, will take over the industry portfolio from Viscount Davignon, while Britain's Lord Cockfield will run an enlarged intenral market portfolio, taking in services and taxation as well as goods.

The line-up expected to emerge from the talks would leave Mr Henning Chirstophersen, former Danish Finance Minister, with economic and monetary affairs, while Mr Frans Andriessen of the Netherlands, currently commissioner for competition, is confidently predicted to get agriculture.

Although the final allocation of jobs has yet to be settled, Mr Stanley Clinton Davies, Britain's second nominee, is expected to get transport and the environment, while Mr Peter Sutherland of Ireland gets competition. Mr Grigoris Varfis of Greece is likely to get regional development.

Student demos fear in Poland

By Christopher Bobinski in Warsaw

THE POLISH Government's failure to accept a new rector elected by students and staff at Warsaw University this week, combined with general moves to reduce university autonomy, might lead to student demonstrations at the country's largest university, according to administrative officials there.

The Minister of Higher Education has two weeks in which to veto the choice of Professor Grzegorz Bialkowski, a physicist overwhelmingly elected rector last Monday.

On Wednesday, the Senate at Warsaw University also passed a resolution arguing that changes in the higher education law introduced in 1982 – which granted the universities a significant degree of autonomy – were premature.

The same officials believe that government acceptance of Professor Bialkowski would mean that student response to changes in the law would be more muted.

Dutch set deadline on cruise decision

FINANCIAL TIMES REPORTER

THE NETHERLANDS will decide whether to deploy its share of U.S. cruise missiles depending on the number of Soviet SS-20 missiles operational on November 1 1985, Mr Job de Ruiter, Dutch Defence Minister, said, in Brussels.

Soviet missiles that have been deployed but are temporarily not on their base on November 1 next year will also be counted, Mr de Ruiter said. He was the first Dutch Government spokesman to comment on the report by the U.S. Defence Secretary, Mr Caspar Weinberger, that the Soviet Union has stationed 387 SS-20 missiles in Eastern Europe.

The U.S. claim increases the chance that the Netherlands will station cruise and Pershing 2 missiles, but the ultimate decision still depends on the November 1 deadline.

If by that date the Soviets have deployed more than 378 SS-20 missiles, the number present last June 1, the Dutch will deploy 48 nuclear missiles as agreed in 1979. If the Soviet Union and the U.S. have agreed on a nuclear arms control pact by November 1 1985, the Dutch would deploy the number of missiles proportionate to such a pact.

The Dutch would not deploy any of their Nato-assigned missiles if the Soviets station no more than 378 SS-20 missiles by the deadline.

An American spokesman noted at a recent meeting of Nato's special consultative group that the member of SS-20s can vary "from day to day," because the bases used for the launching of SS-20 missiles can also be used for SS-25 intercontinental ballistic missiles. The Dutch Cabinet's decision applies only to the quantity of SS-20 missiles and ignores the number of bases and the target zones.

The Cabinet vote to defer the ultimate decision until next year already delays the original Nato schedule, under which deployment preparations should have begun last June.

The earliest that missiles could now be sited at the Woensdrecht air base in the south-west of the country would be the end of 1987, a foreign ministry spokesman said. He added that administrative preparations on property transfer and environmental regulations were going on but no construction had begun.

WEU calls for freeze on N-missile deployment

BY DAVID HOUSEGO IN PARIS

PARLIAMENTARIANS of the Western European Union (WEU) yesterday called for a temporary freeze by both the U.S. and Russia on the deployment of intermediate and short-range nuclear missiles in Europe.

The move reflects the reluctance by some European governments and a wide spectrum of European public opinion to continue with deployment at a time when arms control negotiations are likely to resume between the U.S. and the Soviet Union. Mr Andrei Gromyko, the Soviet Foregn Minister and Mr George Shultz, the US Secretary of State are due to have preliminary meetings in early January.

The governments of Italy, Belguim and Holland would all prefer a freeze because of the divisions within their administrations over the issue or the pressure of public opinion. Germany and Britain are in contrast the U.S., West favour of continuing American deployment. The WEU resolution is thus likely to be embarrassing to them in that the Russians have also said that they would like a freeze.

Recognising the delicate ice on which they are treading, the recommendation by the WEU Assembly is thus cautiously worded. It calls for a "possible, mutual, temporary freeze" on the further deployment of intermediate weapons and of short-range missiles—such as the Soviet SS21 and SS22.

The move comes at a time when the WEU is taking on fresh life as a forum for defining a European viewpoint within the Atlantic Alliance an defence and strategic issues.

In the U.S. view, any freeze on deployment would have to be part of an overall package with the Russians on arms control.

Warsaw Pact warns Nato over conventional forces

BY PATRICK BLUM IN VIENNA

THE WARSAW Pact warned yesterday that it would take counter-measures to balance out Nato's decision, announced in Brussels this week, to strengthen the Western Alliance's conventional forces.

In an unusual and highly polemical counter-statement to the Nato countries' press briefing after yesterday's session at the talks on reducing conventional forces in Europe (MBFR), Mr *Michail Kokeyev, the Soviet* spokesman, said: "If there is a continuation in the arms build-up of conventional forces on the part of Nato then we cannot remain disinterested."

The tone of the Soviet statement stunned Nato officials in the light of recent more moderate statements made by the Warsaw Pact, on the future of negotiations both in Vienna and those in Geneva, next month between U.S. Secretary of State, Mr George Shultz, and Mr Andrei Gromyko, the Soviet Foreign Minister.

Western officials were puzzled by the sudden change on tone. "We do not know what caused this reversion to diatribe especially in view of positive statements made in both the Eastern and Western countries, about the forthcoming talks between Secretary Shultz and Foreign Minister Gromyko," Mr John Karch, Nato spokesman said.

The Soviet statement singled out West Germany, arguing that the "obstructionist" policies of the Federal Republic were a constant block to progress in arms negotiation.

"West Germany rejects reducing forces, together with armaments and combat equipment. No doubt this position is definitely connected with the rearmament plans of the Bundeswehr and a further build up of armaments both of West Germany and of Nato as a whole," Mr Kokevev said.

Hussein confirms rejection of Camp David

By Richard Johns

KING HUSSEIN of Jordan yesterday confirmed Jordan's rejection of the Camp David accords agreed between Egypt and Israel in 1978 as a framework for any resolution to the Palestinian problem.

Addressing the Royal United Services Institute for Defence studies in London yesterday he made it clear that his country's attitude to the U.S.-sponsored formula had not been affected in any way by Jordan's fulsome reconciliation with Egypt.

King Hussein dismissed President Reagan's peace plan as "moribund" and instead repeated his call for an international conference bringing together all the parties to the conflict and the five permanent members of the UN Security Council.

King Hussein made no comment about the inconclusive outcome of the Palestine National Council which ended in Amman last week. But he stressed that "constructive discussions" with the PLO were taking place on "the basic requirements for peacemaking including the establishment of a confederal union between Jordan, the West Bank and the Gaza Strip."

Members of his entourage, meanwhile, were at pains to dismiss any idea that he might meet with Mr Yitzak Rabin, the Israeli Defence Minister, who is also in London on an essentially private visit at the invitation of the Joint Israeli Appeal.

Mr Rabin yesterday called upon Mr Michael Heseltine, Defence Secretary and Sir Geoffrey Howe, Foreign Secretary. King Hussein is expected to see Mrs Margaret Thatcher—as he has done on private visits to the UK three times this year.

It was assumed that Mr Rabin expressed Israel's objections to the European summit conference's call for the PLO to be associated with Middle East peace negotiations.

Mr Shimon Peres, Israeli Prime Minister, had lunch yesterday with President Mitterrand on the second day of his official visit to France. The French leader was expected to brief Mr Peres on his recent talks with President Hafez Assad of Syria.

Tony Walker reports from Cairo: Dr Esmat Abdel Meguid, Egypt's Foreign Minister, yesterday gave unexpectedly warm endorsement to the efforts of Mr Peres, the Israeli Prime Minister, to improve the climate for peace in the Middle East.

Dr Meguid said there were encouraging signs from the Israelis. "We think Mr Peres is trying to move the peace process," he said.

But he was sharply critical at a Cairo press conference of Mr Yitzhak Shamir, the Deputy Prime Minister of Israel and Foreign Minister, who said this week that Jordan and Egypt were faced with a clear choice between pursuing peace and allying themselves to the PLO.

Output of steel expected to rise 8% this year

BY PAUL CHEESERIGHT IN BRUSSELS

EUROPEAN Community steel production by the end of this year will be 8 per cent higher than in 1983, the Commission has calculated in its latest analysis of the market.

Output for 1984 is put at 119m tonnes, compared with 109.5m tonnes in 1983. The increased tonnage shows how the steel industry has responded to the greater stability of the EEC economy, which this year will grow at a real rate of 2.5 per cent, slightly higher than first estimated.

But steel production in the first quarter of 1984 is expected to slow slightly compared with the last quarter of this year, with likely output calculated at 28.5m tonnes against just over 29m tonnes.

The inventory of stockholders remains high, however, and on the assumption that stocks are run down by 0.4m tonnes, the Commission expects consumption in the 1985 first quarter to be 25.4m tonnes.

The improvement in the state of the industry, implied by these figures, has been taking place against a background of a reorganisation and shutting down of production capacity.

The Commission noted that in the first 10 months of this year the workforce in the EEC industry had shrunk by 29,300, or 1,000 more jobs than in the same period of 1983.

Over the last year over two-thirds of the job losses have been in Italy.

Exports lead growth in W. German textiles

BY ANTHONY MORETON

AFTER THREE years in the doldrums the West German textile and clothing industries have once more found their way to growth.

An export-led boom has led to spinning mills and clothing factories in the main production centres — Westphalia, Baden Wurtenberg and northern Bavaria working at full steam.

Output in the textile sector went up 4.5 per cent by volume between January and August this year while on the clothing side the rise was 2.1 per cent, bringing a welcome glow to one of the largest textile industries in the world.

The only slight worry now is that so much of the recovery has come from overseas orders. "*Orders from abroad are very* much higher than from within Germany," according to Dr Konrad Neundorfer, managing director of Gesamttextil, the German textile confederation.

"The market is pretty stagnant here in Germany, with orders up by 5.8 per cent this year. But from abroad they have shot up by 20 per cent."

West Germany has always had a strong export trade, with three-quarters of its textiles and clothing going to other European countries. Last year the industry sold DM 19.8bn (£5.5bn) outside the country, of which just over half went to other European Community countries.

The Germans are slightly concerned at this heavy emphasis on Europe and have been making efforts to diversify, especially to the Far East.

The recovery is welcome because, like the rest of the European industry, West German textiles have been badly hit by the recession.

The textile industry in the European Community has overcome its problems so well that no more government subsidies are justified, Mr Frans Andriessen, the EEC commissioner responsible for competition policy, said yesterday. John Davies reports from Frankfurt.

He said this "dsciplined" approach to textile subsidies must also apply to new EEC members, such as Spain and Portugal.

Mr Andriessen, a Dutch member of the EEC Commission, was speaking in Frankfurt at the annual meeting of West German textile manufacturers, which have been among the sharpest critics of national textile subsidies.

Herr Ernst-Guenter Plutte, the president of Gesamttextil, West German textile industry association, called on the EEC Commission to reject current UK and French proposals for textile aid.

Mr Andriessen replied that the UK and French proposals were still being examined but there appeared to be little ground for approval. He said the Brussels Commission backed his view that from the beginning of next year state aid for textiles in EEC countries was no longer justified on economic or social grounds.

New members would have to abide by strict rules on subsidies from the moment they joined, he said, so that an opening of the EEC to the south did not give rise to "troughs" of subsidies from which others would also try to feed.

The textile industry, after struggling for years with structural change, was going ahead in almost all EEC countries with production and orders improving, Mr Andriessen said. The industry, often wrongly pronounced as dead, had greatly increased its international competitiveness, he added.

The number employed in textiles dropped last year to 241,489, the 13th successive year it had fallen. Unemployment reached 10.2 per cent and a further 8 per cent were on short time. In clothing the numbers also fell, to 193,942.

Numbers have continued to drop this year but at a much slower rate and the industry has taken encouragement from the fact that the hours worked in July were up on a year earlier.

As exports have risen so have imports, but unlike most other countries—such as the U.S. which has made strong efforts to restrain the inflow of goods this year—Germany has welcomed them.

Imports have flooded in, rising by 17.1 per cent to the end of August, and Dr Neundorfer sounded slightly crestfallen when he admitted that West Germany had lost its place (to the U.S.) in 1982, the last year for which figures are available, as the world's leading importer.

Gesamtextil's optimistic view of textile's future was echoed by Herr Justus Mische, marketing director of Hoechst, one of the most important fibre producers in the world.

"The man-made fibres business has continued to show a positive development this year," he said in his Frankfurt office. "During the first nine months our sales amounted to DM 1.79bn (£497m), a rise of 15 per cent. We consider the prospects for the rest of 1984 to be favourable."

Some companies even appear to have gone through the recession without noticing it, such is their strength. "What recession?" asked Herr Werner Lohman, sales director of Textilgruppe Hof, producer of jeans and sportswear in Hof, a Bavarian town near the borders of East Germany and Czechoslakia.

"We never worked short time. We invested sufficient to keep our machinery up to date and as our wage costs are only 20 per cent of turnover we are highly competitive. Our problem is too little capacity."

The 3,400-strong Textilgruppe Hof expects sales to rise this year by some 15 per cent to over DM 700m (£195m). Indicative of its strength is that sales abroad are likely to go up by a staggering 32 per cent.

Another concern which has *managed* to ride the recession through heavy capital spending is Brennet, a manufacturer of grey cloth and fabrics at Bad Sackingen on the Dutch border. At the height of the depression in 1982, Brennet invested a record DM 9.1m (£2.53m), half as much again as in 1980 and more than twice as much as four years earlier.

"The result," according to Herr Dieter Baumann, "was that turnover rose consistently to a record DM 180.3m (£50m) last year and in that time we hardly had to lay off a worker."

Even in buoyant West Germany, though, there are fears and doubts about the future. The most significant is that the industry will not be able to recover its position in the manufacturing sector, which has slipped throughout the recession. Turnover of manufactur*ing industries has increased* regularly through the 1980s whereas that of the textile industry has marked time.

There is also concern that the Multi-Fibre Arrangement, the world agreement which regulates more than three-quarters of trade in textiles and clothing, could come to an abrupt end in the middle of 1986, throwing the business into chaos and confusion.

"We would like to see the MFA extended after it expires," Dr Neundorfer says, "but only for a limited period.

"It is still too early to go back to the general rules of Gatt (the General Agreement on Tariffs and Trade) but we cannot continue with protectionist policies for ever. If we could get a long extension of the present MFA, say until 1993 or 1994, then I believe we could work our way out of protectionism altogether."

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BHOPAL GAS TRAGEDY

Share prices hit by fears over insurance liability

BY TERRY DODSWORTH AND PAUL TAYLOR IN NEW YORK

THE SHARP fall in Union Carbide's share price by $5¼ to $39 in the first few hours of trading yesterday underlined deep uncertainty in the U.S. about possible liability claims on the company over the Indian gas disaster and the extent of its insurance cover. Since the accident early Tuesday the company's market capitalisation has fallen by $740m to $2.7bn.

In a worst-case scenario, some U.S. lawyers specialising in corporate liability issues were comparing the Bhopal disaster to the kind of problems Manville faced over massive asbestos exposure-related claims. These cases eventually forced Manville to file for Chapter II bankruptcy code protection.

However, several lawyers who have represented both plaintiffs and defendants in similar cases seriously doubt that Manville-type charges could be made to stick against Union Carbide in the U.S.

Mr Stuart Speiser, one of the leading prosecution lawyers in product liability cases, said yesterday that he had turned down approaches from India asking him to represent families of possible claimants. In his view, the most likely outcome will be a deal between the company and the Indian Government on behalf of all the disaster victims.

The main issues over which there are considerable arguments in the U.S. are:

UNION CARBIDE

● The degree to which the U.S. parent company is liable for an accident which happened in India.

Although some lawyers have argued that Indian families could bring charges in the U.S. courts, the consensus seems to be that it would almost certainly not help them to do so. Cases where foreigners have *had success in the U.S. courts* against American companies have always involved products conceived, manufactured and marketed in the U.S. Manville is a classic case of a company in this position, whereas lawyers say it would be difficult to establish Union Carbide's responsibility on these grounds.

In addition the Indian insistence on local control and a substantial minority shareholding in Indian subsidiaries of major multi-national companies may work against it in cases of this kind.

● What kind of damages could be claimed against Union Carbide?

The big financial danger for the company lies in the risk that it could be sued in the U.S. for punitive damages. This tends to be the area where large-scale claims not covered by insurance *impinge upon* corporation's viability.

However, Mr Speiser said yesterday that in his view the only location where Union Carbide could be sued in the U.S. would be in the State of Connecticut, where the company is headquartered. Yet Connecticut, like many but not all states in the U.S., does not allow punitive damages in cases of "wrongful death." Thus on this score the main potential problem for the company would be law suits in India, where the claims would normally be related to the earning power of the individuals concerned.

● To what extent the company is covered for various damages claims.

Union Carbide has said little on the issue. However it is understood that one of four Indian Government-owned companies carries the primary insurance risk.

This primary coverage has been widely laid off in the world reinsurance market and is thought to total at least $200m (£166.6m) and could be as high as $500m. Among the insurance companies believed to be involved in this international coverage are Royal Insurance of the UK, American International Group of the U.S. and Cigna of the U.S., which confirmed yesterday that it had a "very small" exposure to claims for losses of over $175m.

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HQ faces up to crisis of disaster

BY OUR NEW YORK STAFF

ONE OF the main problems Union Carbide has faced in responding to the Bhopal disaster has been an enormous information gap. The company has consistently complained that the Press knew more about what was going on than corporate headquarters.

In an apparent attempt to overcome the lack of communications with the Indian-run plant, Mr Warren Anderson, the company's 63-year-old chairman and chief executive, has taken the bull by the horns and flown out to the disaster area with a small team of technical experts to deal personally with what must be the biggest crisis of his professional career.

Mr Anderson, a Union Carbide veteran of 39 years who has been responsible for a wide-ranging restructuring of the chemicals group since he became chairman in 1981, is clearly hoping to defuse criticism and shore-up the company's battered image.

There have been some attacks on the company in the U.S. Press, particularly over promises made and later withdrawn to throw open the doors of the company's nearly identical West Virginia plant which manufactures methyl isocyanate.

However, by European standards the company appears to have been unusually open, possibly drawing on the experience of Johnson and Johnson, the U.S. drugs group, in the poisoned Tylenol case. J. and J. drew plaudits for its up-front treatment of the 1982 tragedy.

For example, Union Carbide has been holding daily Press conferences headed by a senior executive who is both a lawyer and an engineer.

Among other actions the company has *taken in the 72 hours* since the disaster struck are:

● An immediate closure of its West Virginia plant, suspension of all shipment and processing of the chemical world wide and the run-down of existing supplies of methyl isocyanate stored at plants in Woodbine, Georgia, Cubato, Brazil and Beziers, France.

● Promised medical help and assistance to disaster victims and offered to make any find*ings from the company investi*gation into the incident freely available to competitors.

● Notified the U.S. environmental Protection Agency and all state and local environmental health departments of its actions.

In the immediate wake of the disaster, however, these actions have done little to defuse a wave of public anxiety caused by the incident which is now being reflected in Congress.

Rep Henry Waxman, a Californian Democrat, has already announced that he plans to hold a hearing next week in West Virginia to examine safety procedures. The press has also begun to question the adequacy of safety regulations governing the $5.5bn (£4.58bn) a year U.S. pesticide industry and to query whether the Indian plant was subject to the same operating procedures as its U.S. counterpart.

Police refuse U.S. chief entry to plant

INDIAN POLICE yesterday seized all factory records and refused to allow a U.S. executive access to the Union Carbide pesticides plant at the centre of the world's worst industrial disaster, reports our Foreign Staff.

Mr Warren Woomer, who was manager of the plant until two years ago, said police gave no reason for *refusing him entry. He said* the plant operated to the same safety standards as a similar plant in the U.S.

"The process is the same, the chemistry is the same, but the scale is different. The West Virginia plant is larger," he said.

Mr Woomer arrived in India yesterday as part of a six-man team from the U.S. parent company headed by Mr Warren Anderson Union Carbide chairman.

Mr Anderson did not travel with others in his team to Bhopal but remained in Bombay.

Meanwhile, worldwide *reaction to the disaster* included the fixing of a Congressional investigation in Washington nxet week into the safety of the similar Union Carbide plan in West Virginia.

A hearing by the House sub-committee on health and the environment will be held in Charleston, not far from the factory.

In West Germany a petrol bomb exploded in front of a Union Carbide plant in Milstedt. Police said no damage was caused.

Bayer, the West German chemical group which produces methyl isocyanate at a *works north of Cologne and* at Antwerp in Belgium, ruled out any possibility of an accident similar to the Bhopal disaster. The company said it used a different production procedure and took strict safety precautions.

Shoot on sight curfew imposed on Colombo

THE Sri Lankan Government yesterday imposed a night curfew on the capital of Colombo and ordered troops to shoot troublemakers on sight, Reuter reports from Colombo.

A spokesman said the curfew was a precautionary measure to prevent a backlash by the city's majority Sinhalese against the Tamil minority following an upsurge in violence by Tamil separatist guerrillas in the north of the island.

"Police and troops have been ordered to shoot on sight any people attempting to create mischief," he said.

It is the first time the government had announced shoot-on-sight orders since Tamil guerrillas began their violent campaign for a separate state for the island's 2.6m Tamil minority nine years ago.

The curfew in the capital was due to last five hours from 5.30 pm GMT. A curfew is still in force in much of the north and northeast of the island.

Soldiers were earlier reported to have gone on a rampage and killed at least 83 unarmed civilians after a Tamil guerrilla attack on an army convoy in northwest Sri Lanka.

The Colombo curfew follows the kidnapping two days ago of nine people in the northern district of Jaffna by guerrillas who attacked a train. The hostages are believed to be from the Colombo district.

Mr Lalith Athulathmudali National Security Minister said yesterday he believed the guerrillas had killed the hostages even before issuing a ransom demand for their release.

Local residents who saw the bodies of the civilians killed by soldiers in northwest Sri Lanka told Reuters the troops had fired indiscriminately into houses, shops, a post office, buses and rice fields near the town of Mannar on Tuesday after guerrillas set off a landmine under a jeep, killing one soldier and injuring six.

The Sri Lankan Government yesterday denied reports that the army had gone on a rampage and killed civilians in revenge for attacks by guerrillas in Mannar.

Mr Athulathmudali told a news conference 31 rebels were killed when troops replied with gunfire after the ambush. So far, 83 bodies are understood to have been recovered along the Mannar-Colombo road and more are expected.

The area is under a 12-hour night curfew and buses have stopped running because drivers are too frightened to take out vehicles following an army attack on two buses, sources said.

NZ holds down wage deals in first round

By Dai Hayward in Wellington

THE NEW ZEALAND Labor Government has achieved something of a political success in its first big challenge by holding down wage rates in wage talks which began this week.

The first three unions to settle after 18 hours of intense negotiations have accepted increases of between 6.4 per cent and 7.02 per cent.

Mr David Lange, the Prime Minister, said the Government was satisfied with the outcome. Earlier Mr Lange and Mr Douglas, the Finance Minister, had said they were looking for a guideline of no more than 5 per cent.

Unions declared the minimum would be the 9.6 per cent recommended by the Federation of Labor while most employers, trying to stay below the Government guidelines, offered 2 per cent.

In some behind-the-scenes manoeuvring, which upset individual employer negotiators who were not privy to the private discussions, leaders from the unions, employers and the Government agreed on the 6.4 per cent to 7.02 per cent.

The new rate means about $13 (£5.20) a week more for the average wage earner. The increase also applies to allowances.

S. Africa announces public sector pay freeze

By Anthony Robinson in Johannesburg

THE SOUTH African Government has announced a freeze on public sector salary increases next year and a radical change in the income tax structure which hits at fringe benefits but raises the threshold for surtax payment.

Mr F. W. de Klerk, the Minister of Home Affairs, said the freeze on public sector salaries would be accompanied by a productivity drive by emphasising managerial expertise and re-training programmes.

The central Government's wage and salaries bill rose by 30 per cent between the first quarter of 1983 and the first quarter of 1984.

Mr Berend du Plessis, Minister of Finance, announced a series of tax changes which will require a temporary 5 per cent income tax surcharge from March 1 to "at least the end of June 1985" on taxable incomes above R10,000 (£4,500).

The surcharge will be required to offset the temporary loss of revenue expected from a shift in the entire income tax curve, which will raise tax thresholds for lower paid workers while raising the threshold for supertax from R40,000 to R60,000 annually.

The rise in the 50 per cent supertax threshold is designed to compensate for the effect of a drastic scaling down of tax concessions on fringe benefits, especially housing subsidies and company cars.

The measures are designed to bring in R720m in a full year. But the net effect on tax revenue is expected to be neutral given the lower income tax thresholds at all levels.

U.S. warns Pakistan on enriching uranium

BY SIMON HENDERSON

THE U.S. believes that Pakistan has developed the ability to enrich uranium and has warned President Zia ul-Haq that this could jeopardise the $3.2bn (£2.6bn) military and economic aid programme started in 1981 after the Soviet invasion of neighbouring Afghanistan.

The warning was contained in a *letter sent by President* Reagan to President Zia in September, the existence and contents of which were not publicised. It emerged in October that the letter referred to Washington's continued concern about Pakistan's nuclear development programme which is widely believed to be for the purpose of building an atomic bomb.

U.S. officials say the letter warned Zia not to process uranium at the controversial Kahuta plant outside Islamabad beyond 5 per cent enrichment. Natural uranium contains 0.7 per cent of the fissile isotope uranium-235 which can be used in atomic bombs. Enrichment of 5 per cent is useful for certain types of atomic reactor but bombs usually need 90 per cent enriched material.

The officials term the latest warning as a new "marker" which Pakistan must respect if the aid programme is not to be affected. Other markers previously communicated to Pakistan include not testing a bomb, not reprocessing plutonium (another posible bomb material), not assembling a bomb, and not asking another country to test a device on Pakistan's behalf (China has been thought to be willing to do this).

The U.S. warning appears to confirm the claim made in February by Dr A. Q. Khan, Pakistan's top nuclear scientist, that the country could enrich uranium. Western intelligence officials had previously believed that the Kahuta plant was beset by technical problems and still believe that Pakistan will have difficulties making its own highly enriched uranium.

President Zia's reply to the letter was handed over to President Reagan on November 16 by Mr Yaqub Ali Khan, the Pakistani foreign minister, during an hour-long meeting at the White House. Vice-President George Bush and Mr George Shultz, the secretary of state, also attended. The Pakistan envoy had a further meeting with Mr Shultz and also saw Mr Caspar Weinberger, the secretary of defence.

The meetings mostly concerned Soviet pressure on Pakistan from Afghanistan. Facing up to the Soviet Union in the region is widely perceived in Washington as being more important than policies on nuclear non-proliferation, although the latter is still a source of concern.

Zia's letter gave assurances that Pakistan would respect the new marker. Pakistan's stated position is that it only wants to enrich uranium for its civil nuclear power programme although it does not have any power reactors which use enriched uranium.

FOLLOWING persistent reports that China may have provided Pakistan with information that could be used to develop nuclear weapons, Peking has again denied as "entirely groundless" allegations that it is spreading nuclear technology, reports Reuter. A Foreign Ministry spokesman recently said: "We are aware of an investigation report by the Carnegie Endowment for International Peace and the statement that China played a major role in allowing non-nuclear countries to possess nuclear technology. The report of that organisation is entirely groundless."

SA bishops attack police conduct

BY OUR JOHANNESBURG CORRESPONDENT

SOUTH AFRICA's Catholic bishops have accused the police of acting "like an occupying army controlling enemy territory by force without regard for the civilian population and, it appears, without regard for the law" during the recent upsurge of violence in the black townships.

*In a report presented in Pre*toria yesterday by Archbishop Denis Hurley, president of the Catholic Bishop Conference, the church quoted sworn affidavits indicating cases of gratuitous violence, rape, theft, indiscriminate shooting, beating and tear gas use and called for an immediate enquiry into police conduct and appropriate disciplinary action.

The report noted that there were cases of mob violence and that the police were provoked or had to act in self defence in some instances but added: "That cannot justify unwarranted or illegal conduct on the part of the police."

The report estimates more than 150 deaths over the last three months while the injured "may run into thousands."

"Instead of being accepted as protectors of the people the police are now regarded by many people in the black townships as disturbers of the peace and perpetrators of violent crime," the 38-page report added.

It warned that "the legacy of bitterness and resentment *that this wanton violence* engenders serves only to postpone a just and lasting settlement of the issues dividing our country."

It noted that the work stayaways last month achieved greatest support in areas where police activity had been the strongest.

The evidence in the report comes from sworn affidavits made by individuals before a commissioner of oaths in an attempt to avoid prosecution under the law which prohibits *the publication of unproven* accusations against the police.

The bishops tried to present a copy of the report to Mr Louis le Grange, the Minister for Law and Order last week, but he was "too busy" to receive it. Police declined to comment on the report until they had read it.

● Gunmen yesterday shot and killed Mr Edward Manyosi, a prominent township politician who had led efforts to oust the present mayor of Soweto.

Business upturn for Zimbabwe

By Tony Hawkins in Harare

ZIMBABWEAN industrialists are more optimistic now than at any time since early 1981 according to the University of Zimbabwe's business opinion survey published today. The survey, which carries responses from companies representing an estimated 50 per cent of manufacturing output, finds that 44 per cent of respondents expect output or sales to rise next year, compared with 25 per cent a year ago.

Thirty-five per cent of respondents say they are operating at target capacity as against only 19 per cent in mid-1984, *while just over 20 per cent say* they expect profit margins to improve in 1985. Exports are up, with 39 per cent of companies improving their performance in the second half.

AMERICAN NEWS

Canada to table draft Bill relaxing curbs on foreign investment

BY BERNARD SIMON IN TORONTO

DRAFT legislation relaxing curbs on foreign investment in Canada will be tabled in parliament in Ottawa today.

The draft Bill, amending the Foreign Investment Review Act of 1973, is expected to be a far-reaching one, implementing promises made by the Progressive Conservative Party during last September's election campaign to improve significantly the climate for foreign investors in Canada.

The new legislation will redefine the role of the Foreign Investment Review Agency (Fira), the Government body which screens almost all acquisitions and new business ventures in Canada involving foreigners.

Government officials have indicated that the vetting process will in future be limited to large transactions and those involving politically sensitive sectors, such as energy, broadcasting and publishing. Fira will be renamed "Investment Canada," and its mandate will include the promotion of foreign investment in the country.

Canada is more dependent on foreign capital than almost any other industrial country. Foreigners control about 10,000 Canadian companies. The book value of direct foreign investment in Canada is estimated at C$72.5bn (£48bn). At the end of 1983 U.S. companies accounted of 78 per cent of the total foreign stake, followed by Britain 9 per cent.

Fira has been a major irritant to foreign investors in Canada during the past decade and its activities have contributed to strained relations with the U.S.

Buttressed by discrimination against foreign oil and gas companies under the 1981 national energy programme, the curbs on investment contributed to long-term capital outflow of C$5.3bn in 1980-82. The previous Government began to streamline Fira's vetting procedure two years ago and the upturn in the Canadian economy has encouraged renewed inflows of foreign investment since late 1983.

● Canada's trade surplus rose to a record C$2.3bn in October, compared to slightly less than C$2bn in September, statistics.

Exports were virtually unchanged at C$9.8bn but imports dropped by 4.4 per cent, following a similar decline in September from a record C$10.2bn. Automotive products accounted for the bulk of the fall in imports, reflecting the two-week strike at General Motors' plants in Canada in the second half of October.

The trade surplus is expected to reach about C$20bn this year and a similar level in 1985, compared to C$17.7bn in 1983.

Mexican peso devalued further

By Ronald Buchanan in Mexico City

MEXICO HAS finally yielded to pressure from local industry and foreign bankers and announced an acceleration in the rate at which its peso is allowed to fall against the U.S. dollar.

But the new daily devaluation of 17 centavos announced by the Finance Ministry on Wednesday night will not be enough to offset the difference in inflation between the U.S. and Mexico, bankers said yesterday.

It is equivalent to a depreciation of 40 per cent a year, whereas inflation in Mexico of some 65 per cent is running about 60 per cent faster than in the U.S.

The slow rate of depreciation of the peso, which was previously pegged at 13 centavos a day, has led to a real increase in the value of the Mexican currency this year. Bankers fear this is making industry and tourism less competitive and could rekindle capital flight which was a major factor behind the debt crisis of 1982.

But the Mexican authorities have staunchly resisted a steeper devaluation for several months, arguing that the export sector was performing well and that a high currency rate is needed to check inflation.

The new depreciation rate applies to both the controlled market which is used for major commercial transactions and the free market which is used for financial deals

Tancredo set for victory in Brazil

BY ANDREW WHITLEY IN RIO DE JANEIRO

THE broad outlines of an informal pact between the opposition parties and the Brazilian military, to permit a smooth handover to civilian rule next year, are taking shape.

The groundwork for the pact has started being laid over the past week, following the recognition that Sr Tancredo Neves, the opposition leader and presidential candidate, has now amassed enough pledged votes to be virtually certain of victory in January's indirect elections.

The Supreme Electoral Tribunal (SET) ruled that delegates to the Electoral College (EC) are not obliged to vote in accordance with the parties on whose ticket they were elected. This means that government party dissidents will be able to support the opposition candidate.

Barring a last minute upset, now looking increasingly unlikely, the 74-year-old former prime minister thus looks set to lead his broad coalition—ranging from the extreme left to the traditional right—into power next March.

The main points of the unwritten pact with the military appear to be:

● There will be no investigation of the military's record during its 21 years in power. "Revenge," to use the current political codeword, is out

● Mutual agreement between the outgoing regime and the embryonic new government on the choice of military ministers, in charge of the three branches of the armed forces.

● "Provocations" to the sensibilities of the military, in the form of left-wing dominated public rallies in the run up to the election are being severely limited by Sr Tancredo

● The armed forces have formally declared, in return, that they will not permit any last minute changes to the electoral rules, to permit a comeback by Sr Paulo Maluf, the badly trailing official candidate.

As part of this growing understanding between the opposition and the outgoing, military-backed Figueiredo government, Sr Tancredo recently declared that he was content to leave negotiations on rescheduling Brazil's $100bn (£83bn) foreign debt to the present team, headed by Sr Antonio Delfim Netto.

The opposition leader went out of his way to praise Sr Delfim's competence.

That the debt talks, due to resume next month, have the blessing—and, better still, the endorsement—of the likely next president of Brazil is of extreme importance to the country's bank and official creditors.

In recognition of the likelihood of a Tancredo victory, discussion has already begun within the Democratic Alliance, as the political grouping behind the opposition leader is known, on the distribution of government portfolios.

In counterpoint to the confidence within the opposition, an increasing level of bitterness

Sr Tancredo—enough votes to ensure a win

pervades the government party, the Partido Democratic Social, or PDS.

Firmly in the hands of Maluf supporters, the rump of the PDS last weekend launched a witch hunt against prominent party members who have deserted to the Tancredo camp.

Faced with the threat of expulsion, on Monday two leading dissidents, vice-president Aureliano Chaves and Sr Helio Beltrao, a long serving former government minister, announced their voluntary resignation from the official party.

For his part, President Joao Figueiredo has been quietly distancing himself from his party's chosen successor. In effect he has abandoned the party of which he is honorary president to Sr Maluf.

Front of stage the PDS has been playing out its death agonies. But behind the scenes traditional Brazilian pragmatism in the face of reality has in recent days brought about a number of discreet, but important, meetings between the opposition candidate and Brazil's service chiefs.

A key meeting, publicly denied but privately confirmed by Tancredo aides, apparently took place with General Walter Pires, the Army Minister, a deeply loyal supporter of President Figueiredo.

Its purpose, according to usually well informed Press reports, was to reach an understanding on the transition and, more mundanely, to discuss the military's future budgetary needs.

In a surprise move General Pires, usually regarded as a political hardliner, issued a statement giving the army's backing to the maintenance of the existing rules governing the selection of Brazil's president by an electoral college.

After a series of meetings with the Army's high command, General Pirles guaranteed that the armed forces would preserve Brazil's "democratic institutions" and would not allow the succession to descend into a judicial battle through the courts on fine interpretations of electoral law.

It was a clear rebuff to the hopes of Sr Maluf that the military's known distaste for the Left-wingers in the Tancredo coalition would overcome their determination to maintain the pre-arranged succession procedures.

NYC broker on insider trade charge

By William Hall in New York

A U.S. federal grand jury has charged a New York stockbroker with using inside information to illegally trade in the shares of Marathon Oil ahead of its $6.4bn (£5.3bn) takeover by U.S. Steel in 1982.

The jury has charged Mr David Rapoport, a former partner with Paul L. Forchheimer & Co., a small New York broker, of using an account at Ellis to trade in Marathon call options. Mr Rapoport is the eighth person to be charged in the so-called "Sullivan and Cromwell" case which involves the former office manager of the well known New York law firm who has been charged with leaking sensitive information about corporate takeovers.

Ellis had been earlier named by the Securities and Exchange Commission (SEC) which is investigating what is believed to be the largest case of insider trading in Wall Street history. The SEC has charged that "many individuals" from a New York suburb had used Ellis to trade stock and options in U.S. companies ahead of takeover announcements. There have been reports that over $40m in profits could have been made on these illegal trades.

The SEC has refused to say whether there is any link between its own investigations and the federal grand jury charges.

Reagan to outline policy on apartheid to Tutu

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT RONALD Reagan has agreed after initial reluctance to meet Bishop Desmond Tutu, the black South African Nobel Peace Prize winner, to explain his policies on apartheid, the White House said yesterday.

Officials said that Mr Reagan had decided to invite Bishop Tutu to the White House today after learning of his impassioned criticism of administration policy in congressional hearings in Washington earlier this week.

Mr Reagan's decision came as the black-led anti-apartheid movement in the U.S. continued to put pressure in the Administration to take a stronger stand. Mr Randall Robinson, had of the Washington-based TransAfrica organisation, said that the two-week-old protest campaign would be broadened to cities all around the U.S. and would spread to Europe.

He said that the demonstrators would seek an end to investment in South Africa and a boycott of companies doing business there. They would campaign for the withdrawal of pension funds invested in South Africa and a boycott of South African gold krugerrands, to "hurt the economy", he said.

Mr Chester Crocker, the Assistant Secretary of State for Africa, said that although no American sympathised with apartheid, U.S. ability to effect change was limited.

He added, however, that the recent wave of anti-apartheid demonstrations was "not unhelpful" in getting the Administration's message across.

Nicaragua businessmen say travel is restricted

MEXICO CITY – Nicaraguan business leaders accused their country's left-wing Government yesterday of imposing arbitrary travel restrictions on prominent members of the opposition in what they called a new crackdown on dissidents.

Members of Nicaragua's Superior Council of Private Enterprise (Cosep) told a news conference in Mexico City that those prevented from leaving Nicaragua since general elections there on November 4 included Sr Enrique Bolanos Cosep's president, and Roman Catholic Bishop Pablo Antonio Vega.

Cosep is a member of the Democratic Co-ordinator, an alliance of right-wing parties and organisations which boycotted the elections saying the ruling Sandinista National Liberation Front (FSLN) had failed to provide fair conditions.

Sr Ramiro Gurdian, vice-president of Cosep, said the Sandinistas had prevented some dissidents from leaving by ripping pages out of their passports at Managua airport. Others were refused exit visas and in some cases, Sr Gurdian said, the authorities refused to issue passports.

He said Sandinista harassment of dissidents and human rights violations had increased since the elections, in which the FSLN reaped about two thirds of the vote.

The Sandinistas have said the restrictions were necessary as part of a state of alert called shortly after the November 4 polls amid fears of a U.S. invasion.

"The Government has drawn up a list of four typewritten pages of people who are not allowed to leave the country," Sr Gurdian said. This was part of a plan to crush the opposition, he added. Reuter.

Notice of Redemption

Jim Walter International Finance N.V.

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NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of January 15, 1981, under which the above described Notes were issued, Jim Walter International Finance N.V. (the "Company") has elected to redeem on January 18, 1985 (the "Redemption Date") all outstanding Notes at the redemption price equal to 100% of the principal amount thereof plus interest accrued to the Redemption Date. On and after the Redemption Date interest on the Notes will cease to accrue.

The Notes are to be redeemed at the office of **Citibank, N.A., 111 Wall Street, 5th Floor, Receive and Deliver Window, in the Borough of Manhattan, the City of New York, State of New York;** or at the main offices of Citibank, N.A. in London, Brussels, Paris, Frankfurt/Main, Amsterdam, Zurich, Milan, or the main office of Citicorp Bank (Luxembourg) S.A. in Luxembourg.

The Notes should be presented and surrendered at the offices set forth in the preceding paragraph on the Redemption Date with all interest coupons maturing subsequent to said date.

Coupons due January 18, 1985 should be detached and presented for payment in the usual manner.

For: JIM WALTER INTERNATIONAL FINANCE N.V.
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December 7, 1984

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Stewart Fleming looks at the way demands for protectionism are gaining ground

U.S. business shifts stance on free trade

MR LEE MORGAN, Chairman of the Caterpillar Tractor Company and, in recent years, one of corporate America's most ardent free trade advocates, has held a series of meetings with some of President Ronald Reagan's closest advisors. They include Mr James Baker, the White House chief of staff, Mr Donald Regan, the Treasury Secretary, and Mr Ed Meese.

Mr Morgan's message on behalf of the 21-member corporate trade lobby, The Business Roundtable, was not the free trade litany Washington has been accustomed to hearing from him.

"The U.S. business community is becoming aroused," in the face of a trade deficit which will almost double to $130bn (£108bn) this year, he says. The American industrial machine is in danger of being "dismantled" as a result of the competitive liability created by an overvalued exchange rate and unfair trade practices abroad.

"There is a perception that the playing field is beoming... disadvantageous to American business, and this puts at issue (our) position on free trade," he says.

"*We do not want to have as our corporate epitaph that we died supporting free trade. . . . The president needs to be told by some big guns.*"

Mr Morgan's mission is a strong sign that, with the election out of the way, the pent-up floodgates of discontent over economic policy, budget deficits and a soaring dollar are now open.

The corporate sector is worried that not only will foreigners continue to steal their business at home and abroad, but that they will do so at a time when the economy could be sinking into a protracted period of sluggish growth.

Corporate muscle flexing, however, is not as inconsistent now as it was earlier in the year with Administration policy, and there are numerous signs that the Reagan team is moving towards a stronger assertion of U.S. interests abroad. A tough line is being taken on EEC pipe and tube shipments to the U.S., and on overall imports of steel. The U.S. has cracked down on textile imports from the Third World.

A row is also brewing between the EEC and the U.S. on agricultural export subsidies. The U.S. is maintaining its opposition to the Common Agricultural Policy and is pressing the Community to eliminate export subsidies.

There is also growing restiveness in the U.S. about its $30bn trade deficit with Japan. One target is the possible tightening of the U.S. telecommunications equipment market in retaliation for the difficulty U.S. telecommunications producers have in exporting to the restrictive markets of Japan and Europe.

The U.S. signalled its militancy again last week with strong pressure on the General Agreement on Tariffs and Trade to push for increased liberalisation of trade in services. It is the one area of trade in which the U.S. is a world leader. In the face of visible trade deficits with virtually all its major trading partners, the U.S. is all the more anxious to exploit one of its few remaining trading strengths.

'The U.S. business community is becoming aroused in the face of a trade deficit which will almost double to $130bn this year. The U.S. industrial machine is in danger of being dismantled because of competitive liability created by an overvalued exchange rate and unfair trade practices abroad.'

Next week, it will be pressing the OECD to stamp out mixed credits (aid combined with commercial lending) which it regards as unhealthy and unfair competition.

The International Trade Commission is being confronted by an accelerating flow of complaints by aggrieved companies over imports, and is currently handling more than 200 individual trade complaints.

Certainly, any sudden fall in the dollar or any effort by the Administration to convincingly tackle the deficit could change the picture quickly, but there is little sign of either event taking place.

The post-election pessimism is all that more stark given the up-beat atmosphere during the year in view of the strong economic upturn and the rapid decline in unemployment. It was against this background that the Administration was able to push through the sweeping Omnibus Trade Act, considered a fine-balanced piece of legislation appeasing both free-trade interest and the protectionist lobby.

The act provided for an extension of the Generalised System of Preferences (GSP), which allows more than 140 developing countries duty-free access into the U.S. for certain of their products. Mr William Brock, the special trade representative, in spearheading the Act's passage, also won Congressional approval for the Administration to negotiate bilateral free-trade accords, initially with Israel. And for the first time, the Administration was given authority to negotiate the liberalisation of trade in services, an issue that was to prove contentious at the Geneva Gatt meetings.

Significantly, there were some bones for the protectionists. The legislation opened the door for the U.S. to seek more effective protection for intellectual property rights of U.S. companies and the interests of U.S. businesses who invest directly overseas.

After passage of the legislation, Sir Roy Denman, head of the EEC delegation in Washington, remarked: "We have escaped disaster." But he quickly warned: "Our trade difficulties are not going to go away, and may even get worse in 1985."

Such fears are now commonplace in Washington as the economic outlook worsens. Even so renowned an internationalist as Mr Henry Kissinger, President Nixon's Secretary of State, has been heard to speculate whether the time is approaching when the U.S. should follow Japan's lead and "manipulate the trade system as it really operates."

Israel may buy nuclear plant from France

By Paul Betts in Paris

ISRAEL is considering the purchase of a nuclear power station from France. The issue is expected to be raised by Mr Shimon Peres, the Israeli Prime Minister, during his current official visit to Paris.

The French nuclear power station group Framatome said yesterday that it would be pleased to supply Israel with a nuclear plant if it was given the go-ahead by the French government.

A deal could involve a 950 Mw plant. However, Israeli officials following Mr Peres' French visit have declined to confirm or deny the reports that the nuclear plant issue would be raised with President Francois Mitterrand.

Any negotiations with Israel would coincide with renewed efforts by Iraq to speed up the replacement by France of a French-built nuclear research reactor destroyed by an Israeli air raid in 1981 near Baghdad.

France has so far managed to delay an agreement to replace the Iraqi reactor.

But the French position is nonetheless complicated because of President Mitterrand's efforts to improve relations with Israel while maintaining France's strong ties with a number of key Arab states.

France and Israel signed a nuclear co-operation pact in September 1956. But this co-operation in the nuclear field between the two countries ended in 1967 following a dispute between Paris and Israel which soured bilateral relations for more than a decade.

Singapore Airlines attacks Britain over flights move

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE International Airlines (SIA), the tiny island state's highly successful national flag carrier, yesterday accused the British Government of taking a contradictory stand over its application to operate services to and from Manchester.

The accusation, which follows the UK Department of Transport's recent rejection of the SIA request, is the airline's strongest public comment yet on the issue and could well fuel a simmering row between Britain and other South-East Asian airlines.

The Malaysian and Philippines national airlines have also pressed unsuccessfully for extra flights to Britain over recent months.

Mr Nicholas Ridley, the UK Transport Minister, has been criticised both in the House of Commons and the British Press for his "restrictive attitudes."

The SIA attack was voiced by Mr Lim Chin Beng, the airline's deputy chairman yesterday. He criticised the Transport Department for its "protectionism" in suggesting that SIA should reduce its services to Heathrow before it could be granted landing rights to Manchester.

The department's attitude, he claimed, was "plainly quite contrary to the declared policy of the British Government for free competition."

The Department of Transport has said the traffic does not justify more flights, and Mr Lim said yesterday SIA would pursue its "legitimate request."

Balance of trade shifts in favour of East bloc

BY ANTHONY McDERMOTT IN GENEVA

ECONOMIC ACTIVITY in both Western and centrally-planned economies has expanded in recent years, but the balance of trade is fast shifting towards the East bloc nations, says the annual economic bulletin of the UN Economic Commission for Europe (ECE).

The report said that the volume of Western imports from East Europe increased by 17 per cent in the first half of the year compared with the same period in 1983.

This followed a 9 per cent rise for the whole of 1983 after three consecutive years of decline.

The East bloc's current account surplus with the West is likely to increase in 1984 and this should lead to a further reduction in the East's convertible currency debt, standing at $70bn at the end of 1983.

The ECE groups some 30 countries from both East and Western Europe as well as the Soviet Union, the U.S. and Canada.

The Western trade balance with the East bloc has fallen from a surplus of $2.4bn in 1982 to a deficit of $1.3bn in 1983 and is widening further this year.

A feature of the increase in Western demand was the 50 per cent rise in U.S. import demand from the East bloc countries. Western European imports rose only marginally. The import rise from the Soviet Union was due largely to oil and oil products. Increased Western exports to the Comecon bloc as a whole in the first half of the year consisted largely of "intermediate" goods, but Western deliveries of engineering goods continued to fall.

The report points out that the development of trade between the East bloc and Third World nations has been weaker than trade growth between the West and the Third World.

The study speculates that the evolution of East-West trade "has probably reduced both the capacity of the European economies and the Soviet Union to stimulate export growth in the less developed countries (LDCs), and the capacities in LDC import demand to influence the economies of industrialised countries.

Bank of China loan for plant in Hong Kong

By Christian Tyler, Trade Editor, in London

THE Bank of China emerged yesterday as one of the two principal lenders for a HK$210m ($22.34m) town gas project in Hong Kong. The contract to build the plant was recently won by Babcock Woodall-Duckham of the UK.

It is said to be first time that the Bank of China has been involved in a British export credit.

The loan agreement with Hong Kong and China Gas was signed yesterday. Bank of China and Standard Chartered Asia are providing 40 per cent each and Wardley 20 per cent of a HK$165m loan arranged by J. Henry Schroder Wagg, the London merchant bank. The loan is being supported by Britain's Export Credits Guarantee Department.

According to leaked reports overseas, the loan is at a fixed rate of 11 per cent, repayable over 8½ years.

Babcock won the contract against strong competition from Japan, West Germany and Denmark.

It is to build four gas plants at Taipo in the New Territories, capable of producing 2.8m cu m a day and doubling the utility's output of town gas for the colony.

Peugeot assembly plan

PEUGEOT, the private French car group, is negotiating with China the construction of an engine component assembly plant at Canton, Paul Betts writes from Paris.

Peugeot confirmed yesterday that negotiations were taking place between China and the French group's Automobiles Peugeot division which includes the Peugeot and Talbot car marques. The group also owns Citroen.

Apart from the Canton plant to assemble components for China's existing car production, Automobiles Peugeot is also negotiating the export to China of cars assembled in France.

U.S. investment in UK

SEVERAL U.S. companies are likely to invest in England's West Midlands, according to the region's Industrial Development Agency, Lorne Barling writes.

A spokesman for the agency said that various incentives meant that the area could compete on more equal terms with other parts of England.

Trade barriers 'target for Netherlands parties'

BY PETER SPINKS IN AMSTERDAM

THE THREE main political parties in the Netherlands are in favour of reducing trade barriers rather than curbing provision for Third World aid next year, Mr Harry Aarts, chairman of the Dutch Parliament's Development Aid Commission, said.

One such target is the Multi-Fibre Arrangement (MFA), the international textile agreement that governs most of the world's trade in textiles. It was set up in 1974 to allow European textile industries to reorganise to meet Third World competition. It has since been renewed twice and faces a further renewal by July, 1986. Mr Aarts says the MFA should be abolished.

Mr Aarts' proposals were made in a recent interview and follow an International Food Policy Research Institute survey earlier this year which indicated that a 50 per cent reduction in Western nations' trade barriers would increase Third World exports by 11 per cent, or $3bn annually.

His remarks are the latest in what is emerging as a long, theoretical debate on how to administer trade. The debate has been joined not only by the ruling Christian Democrat-Liberal coalition, but by the opposition Labour Party.

The debate centres not on the amount of aid to be provided, but on the method of its application, and particularly whether it is the lesser developed countries or the newly industrialised nations that are benefiting most from it.

Trade between the Netherlands and the Third World has risen substantially in the last decade. Although the EEC took two-thirds of Dutch exports last year, Asia, Africa and Latin America accounted for $6.5bn of the $57bn in total trade.

This is seen largely as a result of a high proportion of development aid being tied to Dutch business interests. With a development aid budget set at 1.5 per cent of net national income (0.9 per cent of GNP), the Netherlands currently ranks second, behind Norway in the world's league of Third World donors.

The Dutch increased their annual aid contributions to developing nations from Fl 767m ($216.4m) in 1970 to Fl 4.4bn in 1983, although the budget ceiling dropped last year for the first time by Fl 35m.

Following the present British, U.S. and West German trend, the Dutch Minister for Development Co-operation, Mrs Eegje Schoo, recently proposed measures which she claims will remedy the frequent complaint that over a third of Dutch aid is inefficiently spent.

These measures would give less emphasis to bilateral aid. They would include changing the system of budgeting whereby funds are allocated several years ahead following agreements with developing countries as to how they intend spending their aid.

It is also envisaged that aid be provided in future on condition that a higher proportion – estimated by Government sources to be around 40 per cent at present – be spent on buying products from Dutch companies.

Government critics argue, however, that this is a two-pronged issue – with Dutch companies perhaps benefiting from more aid being spent in the Netherlands, while at the same time being given "lame duck" protection in the form of hidden subsidies to ailing industries.

Saudis give petrochemical pledge

BY FINN BARRE IN RIYADH

SAUDI Arabian Basic Industries Corporation (Sabic) is aiming to maintain the price of its petrochemical products as high as possible and to minimise their impact on the industry worldwide, according to Mr Ibrahim Salamah, vice-chairman and managing director.

In an interview in Riyadh, he said that the corporation would monitor the market and set its prices in line with current rates. Sabic would also regulate its own sales Mr Salamah added.

Its policy will be to refuse to deal with large trading houses and concentrate instead on selling direct to end-users. In this way, Sabic hopes to avoid facilitating the use of stockpiles for the manipulation of product prices.

"We do not want a price war," Mr Salamah asserted. "We want prices as high as possible. We have to make profit."

Sabic is clearly anxious to soothe the apprehensions of the industry over the prospect of its new capacity in Saudi Arabia, scheduled to come on stream next year.

It has a 50 per cent share of seven large plants, either completed or being built in joint ventures with foreign partners, as well as wholly owning one ethylene facility under construction.

Sabic would hold discussions with companies seeking to rationalise output, Mr Salamah said. At the same time, he emphasised that it was strong enough to withstand competition and he did not rule out Saudi price-cutting if its share of output went unsold.

He also claimed that producers fearful of Saudi competition tended to forget the significant proportion of output which would be absorbed in the kingdom.

Mr Salamah estimated that the local market would consume 11-12 per cent of Saudi output at the outset and that within three to four years the proportion would rise to 20 per cent.

Much of the Saudi marketing effort will initially be handled by Sabic's joint-venture partners which are committed to marketing the bulk of production at the beginning.

Sabic's marketing responsibility will increase progressively, although the various projects have different timetables.

Sabic has established a marketing affiliate with branches in London and Hong Kong

UK NEWS

Thatcher sets tax reforms as top priority

BY PETER RIDDELL AND MAX WILKINSON

AN INCREASE in income tax thresholds is the Government's top fiscal priority, Mrs Margaret Thatcher, Prime Minister, and Mr Nigel Lawson, Chancellor of the Exchequer both indicated yesterday.

Mrs Thatcher told MPs in the House of Commons that there was great need to give tax assistance to low wage earners. Later, during a debate on the Government's autumn economic statement, Mr Lawson said he hoped to continue to raise tax thresholds well ahead of inflation to benefit not just the few but the many.

The Treasury has indicated that about £1.5bn might be available for tax cuts in the next spring budget. However, it has become apparent in Whitehall that the room for manoeuvre may be squeezed since the additional cost of buying oil rather than coal to provide electricity is likely to be borne by the Treasury, and hence the taxpayer, rather than through a special levy on consumers, the so-called Scargill surcharge.

No decision has been taken but this is the opinion of ministers and officials involved.

Mr Lawson is also coming under pressure from a wide range of his own backbenchers to use any available money on capital investment projects rather than on income tax cuts, which one MP said would just be spent on imports from Japan. Mr Lawson said this was a "defeatist attitude."

Mr Lawson's speech came only a few hours after the publication of a critical report on the autumn statement from the cross-party Treasury and Civil Service Committee of the Commons. This questioned both some of the economic assumptions lying behind the hope of tax cuts and they way in which the spending decisions had been taken.

In particular, the committee questioned whether the Cabinet was considering spending priorities as a whole. In reply, Mr Lawson argued that the mechanism used mattered much less than the need to use political judgment. He said that the results were determined as much by constraints as by priorities.

The Committee says it sceptical about Mr Lawson's scope for tax cuts.

It says that the Treasury's estimate of £12bn North Sea oil revenues for 1985-86 is £2.5bn higher than its estimate at the time of the last Budget and is vulnerable to any fall in the dollar which might reduce the sterling value of the revenues.

The committee also expresses anxiety about the plans to require a higher rate of return from nationalised industries. It says that, in particular, the water industry will probably have to use its monopoly power to increase its charges and adds: "This will undoubtedly place a burden on industrial costs as well as the domestic householder."

Mr Lawson is told that extending the range of value added tax in order to raise the money to finance tax cuts would be a mistake.

Kinnock warns against general strike on pits

BY PETER RIDDELL, POLITICAL EDITOR

MR NEIL KINNOCK, leader of the Labour Party, yesterday condemned both violence and calls for a general strike in support of the striking miners.

After a meeting at the House of Commons between members of Labour's national executive and union leaders, Mr Kinnock warned that everything possible must be done to stop the case for coal being obstructed by violence.

In response to demands from left-wing members of the executive such as Mr Dennis Skinner and Mrs Audrey Wise, for a general strike, he said that this would be disastrous.

"The prospect of a general strike is nil and any threat of a general strike without a prospect of it being successful would be terminally damaging to the movement's chances of putting the case for coal over the public," Mr Kinnock said. "It would be yet another cul de sac."

Instead, the meeting agreed to support in principle the points submitted by the National Union of

Mr Neil Kinnock: violence damaging miners' cause

Mineworkers (NUM) to the Trades Union Congress (TUC) to enable the union to operate on a day-to-day basis, despite the order by the High Court for the seizure of its assets.

The strains between Mr Kinnock and the NUM leadership were underlined yesterday when Mr Arthur Scargill, the NUM president, said that the recent actions by the courts were "the greatest challenge" ever faced by the labour movement.

In an article in Labour Weekly, the party's newspaper, Mr Scargill said that there must be industrial action, "the most massive mobilisation of industrial action our movement has ever known, and we must have it now. There is no other way to stop the courts' attempt to destroy the NUM."

In a clear challenge to Mr Kinnock, Mr Scargill said: "Trade union and Labour Party Leaders must now stand up in contempt of laws being used against us – or remain forever in contempt of all those they represent: all those whose futures are at stake in this crucial battle."

● TUC leaders last night told the NUM in unequivocal terms that any and all support it could give the union would be limited to lawful actions.

Receiver for NUM to resign

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE SOLICITOR appointed by the High Court to act as receiver of the National Union of Mineworkers (NUM) is to give up the post after only a week.

Mr Herbert Brewer replaced the union's three trustees – who included Mr Arthur Scargill, the NUM president – in the court's attempts to sequestrate the union's funds. The union has failed to pay a £200,000 fine imposed for contempt of court for failing to obey injunctions not to describe the pit strike as official.

The High Court was told yesterday that Mr Brewer was not willing to continue and would be replaced, if the receivership continued, by Mr John Arnold, of chartered accountants Arthur Young McClelland Moores. He will stay in office until the court rules today on whether the receivership should continue.

Mr Brewer attracted considerable publicity after his appointment and on his unsuccessful trips to Luxembourg and Dublin this week to try to gain control of NUM funds.

The union criticised his appointment on the grounds that he was a life vice-president of his local Conservative Association in Derbyshire and a member of the Institute of Directors.

Mr Martin Redmond, a Labour MP and an NUM member, said in evidence to the court that Mr Brewer's selection as receiver had been "highly provocative and totally inappropriate."

Mr Philip Heslop, counsel for Mr Brewer, said Mr Brewer had been prepared to take up the post in circumstances of enormous urgency.

Horizon holiday price cuts may spark another package tour war

ARTHUR SANDLES reports on the latest moves in the troubled travel trade as the Civil Aviation Authority seeks to tighten controls

HORIZON, Britain's third largest tour operator, has raised the prospect of another holiday price war by cutting its prices for next summer.

At the same time, the Civil Aviation Authority (CAA) has blamed much of the travel industry's problems on price wars and has unveiled stricter controls for package tourism.

Horizon has cut an average 3 per cent off the prices of its programme of 450,000 holidays for next year. The biggest cuts are on peak summer trips to Spain, where some tours have been reduced by as much as £80. About 200,000 holidays will be cheaper.

In making the cuts, Horizon is admitting that it overpriced when it first produced its programme in September. "We do not think our competitors will see this move as provocative," said Mr Ken Franklin, chairman and managing director.

Horizon was one of the first tour companies to produce a programme for 1985. It lifted its prices for Spanish holidays by more than 23 per cent because, he said, "we were certain that sensible margins had to be restored for next summer if the industry was to maintain stability."

The Spanish hotel price rise has now come back to 19 per cent on average when compared with last year. "Some of our competitors chose to undercut some of our prices," Mr Franklin said. "Consequently, we have been left with no other option than to reduce the price of those holidays affected."

Thomson, the market leader, produced its programme at much the same time as Horizon with cheaper prices at the peak times to the main Spanish resorts. Other rivals, such as Intasun and the British Airways subsidiary Enterprise, have both produced brochures recently, after having seen Horizon's prices.

Mr Franklin said: "We have repeatedly stated that we would not stand back and watch our competitors undercut us and take away our market share. We have the finances and the resources to react, and that is what we have done."

Trade sources have been indicating that bookings for next summer generally are running around one third below the rate of a year ago. Mr Franklin confirmed that bookings had been sluggish, although he added that bookings for Greece were ahead of the December 1983 level.

"It is difficult to predict what is going to happen to the booking pattern. At the moment we are appreciably down. We are also seeing people trading down, taking shorter holidays and there has been a further swing to self-catering."

Mr Franklin predicted a continued move in the market towards the larger tour operators with well-known names. The CAA, meanwhile, has blamed some at least of the recent package tour problems on people seeking out the cheapest operator rather than the most reliable.

"If you always choose a bargain and take the cheapest then you accept a risk," said Mr Tom MacMillan, the CAA board member who is responsible for screening tour companies. "No one will prevent failures."

The authority is planning to give itself earlier warning of tour operator problems and raising the financial requirements for hundreds of operators to provide more cash for helping holidaymakers when companies fail.

It is proposing to increase the tour operator bond required from members of the Association of British Travel Agents (Abta) from 7 per cent to 10 per cent of projected turnover. This bond has to be lodged, or guaranteed by a third party such as a bank, to be used to rescue or reimburse clients if a company fails.

Until now Abta members, who form the majority of licence holders, have been given a 3 per cent discount on their bonding requirements, thanks to the co-operative system of mutual help in times of trouble run by the Association.

If the new CAA rules go through – and the operators have until the end of January to protest – then each operator would, very roughly, have to find an additional guarantee of around £750,000 for every 100,000 passengers. This would be about £7.5m for Thomson and nearly £4m for Horizon.

For companies of such size and resources, guarantees are not hard to find, although a parent group (such as Thomson Organisation) cannot be the guarantor for a tour subsidiary. For independent operators, however, high premiums are often sought by banks or insurance companies for the bond backing.

The bond is the first line of defence in the event of tour operator collapse. The second line is the Air Travel Reserve Fund, which has about £18m but faces outstanding claims of £3m as a result of recent tour company failures.

The CAA has clearly been upset by recent criticism that it is not monitoring the tour operating companies closely enough. It is stressing that its first task is not one of financial control, although that is being improved.

"The system (of allocating licences) is based on the assumption that businesses and managers are honest and honourable and the certificates they issue can be relied upon," Mr MacMillan said.

The alternative of an investigatory inspectorate was not a viable one. "A jack-booted police force able to go in at any time . . . I do not believe that is a concept that is acceptable in a free society," he said.

The CAA, however, does make additional calls on companies for greater financial backing before licences are granted and sometimes subjects licence holders to closer scrutiny.

Abta said last night that, while it felt there was a case for some increase in bonding, the CAA proposals were too sweeping and "will cause undue hardship to many smaller Abta operators."

Britain's non-oil trade gap widens

By Philip Stephens

THE SHARP deterioration in Britain's non-oil trade gap this year was confirmed yesterday in the latest official figures for the balance of payments, but the surplus on invisibles continues to outperform expectations.

The Central Statistical Office (CSO) said yesterday that Britain's current account deficit for the third quarter of 1984 is put at £542m, some £350m less than the last estimate made last month.

The change reflected an upward revision in Britain's estimated surplus from invisible trade, which is now thought to be £1.1bn compared with an initial figure of £750m.

The CSO said the figures for invisibles were still liable to revision, but its estimates put the net credit on services at £1.3bn and net earnings on interest, profit and dividends at about £550m.

This surplus was partly offset by net transfer payments overseas of nearly £750m.

For the current account as a whole the deficit for the first nine months of 1984 was £497m, with deficits in the second and third quarters wiping out the surplus recorded in the first.

The CSO said that the movement largely reflected the increased deficit on visible trade and in particular a large rise in non-oil imports. The visible trade gap widened to £1.6bn in the third quarter and if oil is excluded the deficit was £3.4bn.

The Treasury's latest forecast sees the current account in balance over the whole of 1984, which would imply a substantial surplus in the fourth quarter unless there are further revisions to the figures for the first nine months.

The CSO said that its statistics for the capital account remain incomplete but on an unadjusted basis they show a turnround from an outflow of £1.4bn in the second quarter to an inflow of £1bn in the third.

● Mrs Margaret Thatcher, Prime Minister, yesterday firmly rejected any loosening of control over public spending after the Government's decision to drop proposed increases in parental contributions to students' fees.

She said that she could find no way to avoid difficult spending decisions, and refused to urge the Chancellor of the Excequer public expenditure.

There were jeers from Labour MPs as Mrs Thatcher said that the concessions on student grants had been "received very well indeed."

Budgetary 'overkill,' Page 9

UK NEWS

RAF trainer decision possible by Christmas

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

Mr Michael Heseltine

THE BATTLE for the Royal Air Force's (RAF) £200m order for a new basic training aircraft is now nearing its climax. A decision by ministers may be reached before Christmas.

The choice lies between four short-listed contenders – the Swiss Pilatus PC-9, backed by British Aerospace (BAe); the Brazilian Embraer Tucano, backed by Short Brothers; the Australian A-20, backed by Westland Aircraft; and the British-designed Firecracker, supported by a consortium called Hunting Firecracker Aircraft.

The struggle has been fierce, and the lobbying in recent weeks has reached an unprecedented level.

At stake is not only the initial order for 130 aircraft worth about £200m including spares, but also the subsequent support for the aircraft in service for over 20 years, which could bring the contract value to £500m or even more.

Export orders for the winner could also be substantial. Many overseas air forces are waiting to see which way the RAF moves before committing themselves.

Of the four contenders, three are foreign-designed aircraft. The Firecracker is the only British design involved. All four, however, use Canadian-built Pratt & Whitney turbo-prop engines.

But because all four are obliged to meet an exacting RAF specification, the final choice will not only involve performance characteristics, but other political factors such as the effect on aerospace employment, and on overseas trade.

Lobbying in recent weeks, therefore, has been based as much on the diplomatic and political benefits of buying one type or another, as on the technical merits of the aircraft involved.

The Ministry of Defence has already said that it wants to see as much as possible of the value of the order remaining in the UK, through production of parts and final assembly in this country, and all the contestants have made arrangements for this.

Short Brothers, of Belfast, for example, has pledged that 100 per cent of the Tucano airframe would be built in Belfast, creating up to 2,000 new aerospace jobs there, and another 1,500 elsewhere in the UK with equipment suppliers.

The other foreign contestants have given similar pledges, with the Firecracker, being UK-designed, automatically being a wholly-UK based airframe production task. Thus, whoever wins the UK aerospace industry will be given a major boost.

It is thus vigorously denied in the industry that if one of the three overseas designs is chosen, the UK taxpayers' money will be going to support a foreign aerospace industry.

In fact, any overseas designer whose product won the competition would get very little out of the UK itself as a result.

Foreign companies are so interested because of the prospects of "follow-on" sales from other countries. It is likely over the next few years that world-wide demand for basic trainers will amount to several thousand aircraft.

Many of these orders will go to whoever wins the RAF contract, because the RAF has a reputation for buying only the best. The UK partner will also share that business, which could amount to hundreds of aircraft worth many millions of pounds.

The overseas industries, and their governments, are also making it clear that, if the RAF buys their aircraft, there is the likelihood of further defence orders for the UK in return.

It is suggested, for example, but by no means guaranteed, that if the RAF selects the BAe/Pilatus PC-9, Switzerland may buy the BAe Hawk advanced trainer.

Alternatively, if the RAF selects the Shorts/Embraer Tucano, there could be defence orders for the UK from Brazil worth up to £150m a year.

It is inducements such as these, coupled with the political and financial as well as technical criteria, that the Government is now studying.

The RAF itself has made its recommendations to the MOD's Procurement Executive, and that organisation's recommendation will go to Mr Heseltine, Defence Secretary, within a few days. He, in turn, will have to discuss it with the Defence and Foreign Policy Committee of the Cabinet.

In view of the imminent absence of Mrs Margaret Thatcher, Prime Minister, in China, it is thought that a decision may be taken at next week's Cabinet meeting, although the whole affair could still be deferred until the new year.

Channel link groups sign accord

BY ANDREW TAYLOR

A HUGE public flotation, rivalling the recent British Telecom issue in scale, might be used to finance a £4bn motorway and rail link across the Channel, Sir Nigel Broackes, chairman of Trafalgar House, the British shipping and construction group, said yesterday.

Sir Nigel was speaking in London at the signing of an accord between a consortium of British and French bankers and industrialists that formally launched a scheme to build a combination of bridges and tunnels spanning the Channel.

Members of Euroroute consortium include: Trafalgar House, British Steel, British Shipbuilders and the construction companies John Howard and Fairclough Construction.

French members include Société Générale, Banque Paribas, GTM Entrepose, civil engineers and Chantiers de l'Atlantique, the nationalised shipbuilder.

Sir Nigel said he was confident the consortium would be able to arrange medium-term finance for the project. Ultimately, he envisaged that the scheme would be financed by a massive, possibly worldwide, flotation with shares in a Channel link company sold to "an eager investing public."

He said that the consortium would not be able to complete detailed funding arrangements until an Anglo-French working party reported on the financial and technical requirements both governments would need. The report is not expected until March.

The report was commissioned after a summit meeting between Mrs Margaret Thatcher, Prime Minister, and President Mitterrand in Avignon last week. Sir Nigel, who has taken over as chairman of Euroroute UK from Mr Ian MacGregor chairman of the National Coal Board, said he detected a more positive commitment to a Channel link from the British Government.

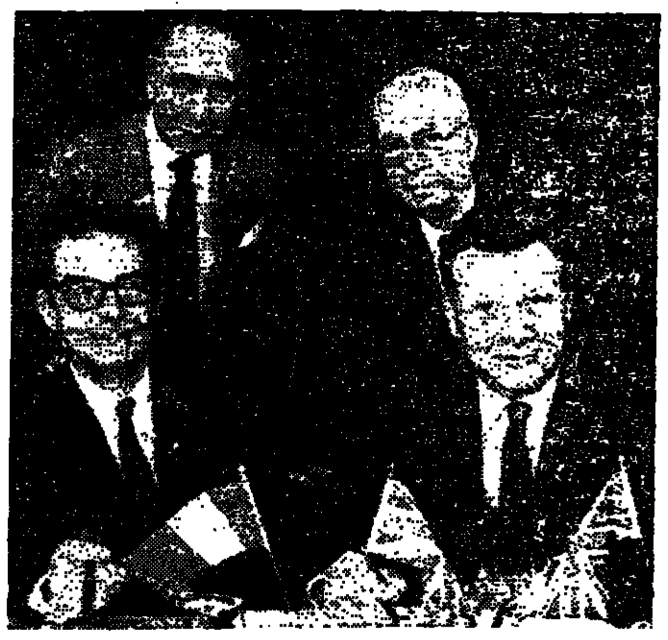
He believed that meant the Government would be in a position to choose by this summer which of the three basic proposals – a bridge, a tunnel or combination of both – it would support. He said none of the schemes would be able to start negotiating finance until the choice was made.

However, Mr Nicholas Ridley, Transport Secretary, has insisted that he will not make his choice until he is convinced that the necessary financial backing is available.

The British and French governments insist that any project must be entirely self-financing without government financial guarantees.

Sir Nigel said yesterday that a cross-Channel link would either happen very quickly or would not occur at all this century. He said Euroroute had so far spent about £1m preparing its proposals.

Mr MacGregor, one of the instigators of the Euroroute scheme when he was chairman of British Steel, said he would maintain his interest in the project. He said the road and rail option made much more sense than the twin-bore rail tunnel proposed by Euroroute's principal competitor.



M Jean Pehuet, of GTM Entrepose, seated left, with Sir Nigel Broackes, of Trafalgar House after signing the accord yesterday. With them is M Christian Bazin, left, of Chantiers de l'Atlantique and Mr Ian MacGregor, original chairman of Eurorute UK

BR plans to end losses on Inter City

By Sue Cameron

BRITISH RAIL (BR) yesterday announced a five-year plan for turning an expected £98m loss in this financial year on its Inter City express services into a £5m profit by 1989.

The Government is determined to cut its passenger grant to state-owned BR from £837m to £635m by 1986-87. The new Inter City strategy is designed to help BR to meet this target.

BR said yesterday it was planning a three-pronged attack on its £98m deficit. Over the next five years it intends to:

● Redefine the Inter City network. That will mean handing over loss-making routes to BR's provincial services sector. Inter City will also take in some new profitable routes. The total improvement from "redefinition" is expected to be £25m over the period.

● Cut costs by £47m, especially by changes in maintenance and working practices. Inter City will be responsible for roughly a quarter of the 13,000 net job losses that British Rail is planning over the next five years.

● Boost Inter City income by £31m. An important element will be changes in the price structure. Inter City intends to bring in what it calls a more logical pricing system from May next year. It is forecasting a 4 per cent rise in passenger numbers as a result. There will be some fare increases.

Mr Cyril Bleasdale, director of Inter City, said it was planning several moves to attract businessmen. There were proposals to provide a pullman service to Liverpool and plans to improve stations and to open first-class passenger lounges at the big termini.

Government accused of budgetary 'overkill'

BY PHILIP STEPHENS

THE GOVERNMENT'S view that successive reductions in public borrowing are essential if inflation is to be kept on its downward path is challenged today by Simon & Coates.

A new study by the London broker's senior economist Mr Gavyn Davies argues that the Government may well have adopted a policy of "overkill" on its budgetary policy.

It suggests that, on the basis of the calculations used by the most stringent monetarists, the planned public sector borrowing requirement (PSBR) of £7bn for next year might be doubled without jeopardising the Government's anti-inflation strategy.

Mr Davies argues that there are a number of reasons why a looser stance on the PSBR would be appropriate in the UK.

He questions the traditional argument that the benefit of a public sector stimulus to demand will quickly be offset by "crowding out" of private investment.

The central thesis of the study, however, is based on work undertaken by monetarist economists in the U.S., which, he says, have clarified the link between budget deficits and inflation targets.

The results show that, based on any realistic assumption of real interest rates and growth, the fiscal stance in the U.S. is clearly too lax. For the UK, however, the same calculations indicate that much higher borrowing would be compatible with the Government's long-term aim of zero inflation.

Secret computer centre waits to handle a company crisis

BY LORNE BARLING

AT A SECRET location somewhere in Lancashire, north-west England, £5m worth of computer equipment is on standby. It is for use in emergency by some of Britain's largest insurance companies and other organisations that subscribe to a system called Failsafe.

The companies pay up to £200,000 a year to have access to the IBM computer hardware, which is available at four hours' notice in the event of a fire or any other disaster that disables their own equipment.

Failsafe was set up a year ago by Istel – the part of BL that controls its computing operations – and Atlantic Computers, said to be the market leader in leasing IBM mainframe computers in Europe.

Since then, it has attracted about 20 subscribers, including Guardian Royal Exchange and Hambro Life. Most companies refuse to be named for security reasons, but Failsafe says about 20 per cent of the UK insurance industry is participating.

Mr John Leighfield, managing director of Istel, said that with the increasing integration of business systems, risks of computer damage were becoming more and more apparent to data processing managers in industry and commerce. Senior management were not always responding to what they were told about the matter, and he urged them to consider the potentially disastrous consequences.

According to Istel, a study by IBM has shown that the loss of a data processing centre will halt most corporate functions in a large company within days.

"Financial functions are particularly vulnerable but activities such as re-ordering, manufacturing and distribution need equally to be protected against collapse," Istel said.

Statistics showed that 50 per cent of computer losses were through fire, 17 per cent through the theft of essential data files, 13 per cent through flooding, water or storm damage and the rest from other accidents, such as the loss of essential services.

The threat of terrorist action or sabotage by a disgruntled member of staff are also seen as real dangers, particularly with public utilities such as electricity.

Although most companies take great care to protect their computer installations, another survey has shown that 80 per cent of them have no contingency plans. Of 24 large organisations questioned, half had no formal back-up.

What emerged from the survey was that, if a disaster shuts down the computer operations of a large computer-dependent organisation, "there is a 95 per cent chance that it would not survive," Istel said.

The three main options in such circumstances were "cold," "warm," and "hot" restarts. The first involved ordering and installing a new computer, with vital time being lost while it was fitted and matched to the original configuration.

A "warm" restart could be achieved where services were shared with a bureau and access by subscribers was guaranteed. However, the capacity of the back-up equipment might be limited and its compatibility over a period of time could not be guaranteed.

"A variation on this theme is the mutual back-up arrangement, in which two organisations with non-conflicting business interests agree to provide mutual back-up," Istel said.

The "hot" restart is what Failsafe is offering, a duplicate back-up configuration with all hardware, telecommunications and other services ready for operation.

Failsafe said it was committed to matching the hardware changes of subscriber companies, which, in turn, were encouraged to carry out regular tests to ensure minimum difficulty in the event of an emergency.

So far, no crises had occurred, but with the number of subscribers rising steadily, Failsafe was having to consider the remote possibility of two happening at the same time.

Failsafe is said to be the only fully dedicated system of its kind in Europe. Its parent companies see the investment as one with considerable potential, since corporate reliance on integrated systems is increasing rapidly.

Industry to have academic database

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

A NATIONAL computer databank is to be set up for industry to log the range of academic expertise and industrial facilities at about 100 universities, polytechnics and government research institutes in Britain.

The £1m project, to be launched in the autumn of next year, has been formed by Cartermill Publishing in Scotland and is backed by the Longman publishing group with financial support from the Electra investment trust and the Scottish Development Agency.

The databank, to be formed at St Andrews University in Fife, will offer subscribers about 20,000 records such as the qualifications of academics, their papers and projects and the facilities at the institutions which might be useful to industry.

Two reports to the Government over the past two years have recommended better practical links between industry and academic institutions. A steering group set up by the University Directors of Industrial Liaison subsequently proposed a database.

Universities, polytechnics and research agencies will fill out questionnaires which will then be filed by the editing board of the project, which in turn will be assisted by experts in various disciplines from St Andrews University.

Treasury worries mount over cost of abolishing GLC

BY ROBIN PAULEY

ANXIETY is growing in the Treasury that one result of the abolition of the Greater London Council (GLC) might be an addition of at least £750m to public-sector borrowing.

Government officials are taking very seriously an analysis in detail of the effect on capital debt of abolition, work that the Government has so far not done. Mr Maurice Stonefrost, the GLC director general, has demonstrated that there will inevitably be a heavy impact on public borrowing through the dissolution of the council's capital fund.

The Government has been so unprepared by the discovery of such technical implications – which Mr Stonefrost has cautiously estimated at £750m over about five years, but which might run as high as £1bn – that Environment Department officials have asked him for his urgent advice before the end of January.

Mr Stonefrost, who is president of the Chartered Institute of Public Finance and Accountancy, is highly regarded by the Government as one of the country's leading authorities on public-sector finance. At the time of his appointment as director general of the GLC in February, the Government wanted him to become Head of the Government Accountancy Service.

The Treasury is watching the situation particularly closely because it has been in error once before over assurances of savings from local government legislation. The Rates Act, empowering the Government to limit council expenditure and rate rises, was supposed to bring council spending under control.

However, as a result of having to raise the targets of rate-capped councils substantially to make them realistically achievable, plus various promises made to Tory backbenchers about subsequent levels of rate support, the Treasury has been forced to cede an extra £900m for local authorities for 1985-86, which is not what it had in mind.

The difficulty arises because, for about a decade, successive administrations at the GLC have been pursuing a consistent policy of funding a rising proportion of capital expenditure through an internal capital fund.

The cultural factor in price regulation

BY A. H. HERMANN, LEGAL CORRESPONDENT

TWO DISPUTES of great significance for the expansion of free movement of goods in the EEC are now ripe for resolution. The European Court has now heard the opinions of the Advocates-General in the Centres Leclerc cases* and judgments may be expected in the new year.

Centres Leclerc is a French chain store which caused a great stir by extending price-cutting to books and petrol. The French booksellers took Lerclerc to court while the petrol station operators tied to the French oil companies did even more: they blocked the roads in an extraparliamentary action which is getting increasingly popular in France where it has been used also against attempts to import Italian wine and British lamb.

The French courts referred these disputes to Luxembourg, asking whether the government-imposed system of retail price maintenance (RPM) for books and the governmental price control of petrol were compatible with EEC rules of competition and the principle of free circulation of goods.

In considering these questions the court has to give some thought to the treaty obligation ǀ of member states to "abstain from any measure which could jeopardise the attainment of the objectives of (the) treaty". Are member states absolved from this prohibition when they place cultural criteria above economic aims or when the application of EEC rules would lead to disturbances of traffic by discontented pressure groups? The French Government insists they are absolved in both cases.

Advocate-General Marco Darmont agreed that in the case of books cultural considerations prevailed. But the road blocks were not found persuasive enough by Mr Advocate-General Pieter Verloren van Themaat who dealt with the petrol case.

French law ǀ FF obliges publishers to fix the retail price of books from which booksellers may not grant a discount exceeding 5 per cent. In the case of imported books, the retail price is determined by the "principal importer" who deposits the book with the authorities. Other importers must not undercut him. The retail prices have to be maintained for at least two years but for not less than six months after last delivery or for nine months after books are sold by mail.

In the two disputes started by Centres Leclerc the European Court has been invited to condemn the French price regulation of petrol because it eliminates foreign competition, but to approve retail price maintenance on books

Leclerc was ordered by the court to discontinue cutting the published price. It appealed, arguing that the French legislation was overruled by Community law.

The European Court had already dealt with RPM on Dutch books across the Dutch-Belgian border and condemned it § but left open the question of RPM operated solely within national borders.

It was now invited by the Advocate-General to rule that the potential impairment of trade between member states was more than balanced by the cultural loss which would, in his view, follow from the removal of RPM. But he agreed with the Commission that the appointment of a sole, price-fixing importer could facilitate infringements of the EEC rules of competition.

If the court accepts these conclusions, European publishers will be left in peace and their view of active selling as somewhat *infra dig* will be undisturbed. Often one has the feeling that it breaks their hearts to part with their books, although this is bad not only for business but also for culture.

There is a greater chance that the court will see the light in the case of petrol. Here, the French authorities determine the retail price, taking into account several factors. But the only decisive one is the price charged by French refineries, which happens to be higher than the international market price. This prevents independent petrol stations supplied from abroad from competing, with lower retail prices, for a larger slice of the French market; the price regulation therefore, has the same effect as an import quota.

The French Government argues that this is justified by the need to keep down consumption of petrol (which sounds odd in the present glut), to assure a proper location of petrol stations, and to avoid "social disturbances" (such as blocking of roads by operators of petrol stations owned by French oil companies).

The Advocate-General dismissed all three arguments; the first two because they related to economic aims not exempted from the principle of free movement of goods by Article 36 of the Treaty, and the third because accepting it would open the door to the obstruction by pressure groups of all the fundamental freedoms guaranteed by the Treaty – the freedom of movement of goods and workers, of services and of establishment.

The Advocate-General had a certain difficulty in reconciling his tough recommendation with the soft judgment, given by the court recently when the Irish Republic defended its legislation obliging petrol stations to buy a certain proportion of their supplies from domestic refineries at a higher price than they paid for imported petrol.

He distinguished the Irish and the French situation geographically: being an island, Ireland had a greater need for self-sufficiency. Also, the domestic market share of Irish refineries was only about a half of that delivered by French refineries. Finally, the Irish Government had to maintain domestic refinery capacity at a level enabling it to meet an emergency and to process crude oil for which the Government concluded long-term contracts.

The two opinions developed a seemingly harmless legal theory that the member states' obligation – laid down in Article 5 of the Treaty – not to counteract EEC aims, operates differently in relation to a mixed regime of private and public measures (as in the case of books) and differently again in relation to government price control (as in the case of petrol).

In the first case, Mr van Themaat said Article 5 could gain direct effect through the operation of the competition rules of Articles 85 and 86; in the second case, only on the basis of Articles 30–36, protecting free movement of goods.

* *Case no. 229/83 (books) and 231/83 (petrol).*
ǀ *Treaty of Rome, Art. 5, par 2.*
ǀ *No 81-766 of August 10, 1981*
§ *Joint cases 53 & 63/82, FT Business Law Brief, Feb 1984, P11*
α *Case 72/83 Campus Oil Ltd, see this column July 19 1984.*

Ship's managers incur liability by ignoring rise in yen

THE MAIRA

Court of Appeal (Lord Justice Lawton, Lord Justice Kerr and Lord Justice Browne-Wilkinson): December 5 1984

THE MANAGERS of a mortgaged ship who undertake to carry out their duties as quasi owners in the best interests of mortgagees and owners, have a duty to take relevant currency fluctuations into account when calculating the value for which the ship's insurance should be renewed.

The Court of Appeal so held when allowing an appeal by Finikos Shipping Co No 1, owners of the Maira, from Mr Justice Hobhouse's reversal of an arbitrator's award ([1984] 1 Lloyd's Rep 660). The award, stated in the form of a special case, was that Glafki Shipping Co SA managers of the Maira, were in breach of a duty to insure the vessel for about $12m.

LORD JUSTICE KERR giving the judgment of the court, said that the Maira was built in Japan. In 1977 the owners paid the builders 30 per cent of the purchase price. It was agreed that the remaining 70 per cent should be financed on mortgage.

On February 7 1977 first and second mortgages were executed for that purpose. The parties to the first mortgage were the owners and the builders. Payment of the balance was to be made by 14 promissary notes for Y135m each, drawn by the owners in favour of the builders. That mortgage was assigned to a Japanese organisation.

The second mortgage was between the owners and the National Bank of Greece, which had guaranteed the first six of the owners' promissary notes. The total principal sum contingently secured was Y996m

The stated purpose of the second mortgage was to secure the repayment by the owners of all sums which the bank might be called on to pay. It was to be subordinate to the first mortgage.

Both mortgages contained covenants by the owners to insure on hull and machinery.

The combined effect of the mortgages was that any failure to comply with the insurance obligations under the first mortgage constituted a default under the second mortgage. The policies were for the benefit of the assignees, the bank and the owners, in that order of priority.

The sums secured by the mortgages were in yen. Both mortgages, however, provided that the vessel was to be insured in U.S. dollars "for the full insurable value of the vessel and in any event for not less than 130 per cent" of the amount of the mortgages. The yen was appreciating against the dollar at all material times.

The owners insured the vessel for $10m. That was sufficient to cover 130 per cent of the amount outstanding under the first mortgage.

The owners failed to meet the first of their promissory notes, and it was paid by the bank. That constituted a default under the second mortgage. The bank decided not to foreclose, but to arrange for management of the vessel.

All powers of control and management were taken away from the owners by a tripartite management agreement, concluded on September 8 1977, between managers, the bank and the owners.

By clause 1 of the agreement, the owners appointed the managers to "act as quasi owners"; by clause 2, the managers undertook to manage "in the best interests of the owner and the bank"; and by clause 3(g) they had a duty to place all hull and machinery protection "in accordance with the respective insurance clauses of the mortgage in favour of the bank."

On April 1 1978 the managers renewed the insurance for the following year, again in the sum of $10m. By then the yen had appreciated to such an extent that about $12m would have been required to cover 130 per cent of the liabilities outstanding under the first and second mortgages.

On April 10 1978 the vessel sank and became a total loss. The owners claimed *inter alia* $1,911,881, alleging that the managers had failed to comply with their obligations by failing to insure the vessel for about $12m.

The arbitrator decided that claim in favour of the owners. He concluded that, bearing in mind the managers' duties to "act as quasi-owners" and "in the best interest of the owners and the bank", they were under a duty to insure the Maira for about $12m. The judge reversed him.

The managers had contended that their obligation as to insurance were fulfilled so long as the insurance complied with the second mortgage alone. The $10m was sufficient for that purpose.

Both the arbitrator and the judge rightly concluded that on the construction of the management agreement as a whole, the managers were under a wider duty to comply with the insurance obligations under the first mortgage as well as the specific duty in relation to the second mortgage under clause 3(g).

Any other construction would clearly defeat the commercial intention of the mangement agreement read together with both mortgages. It imposed a duty on the managers to protect the interests both of the bank and the owners, and neither had any protection against the prior rights of the assignees unless the obligations under the first mortgage were complied with.

The commercial purpose was plain. There was no intention or requirement to effect any separate, let alone cumulative, insurance under the second mortgage.

Only one policy on hull and machinery was envisaged and required. Otherwise, if 130 per cent of the total amounts due under both mortgages had been less than the "full insurable value of the vessel," it would have had to have been insured for double its value, which would be absurd.

Since the arbitrator did not err in law in concluding that the managers were bound to comply with the owners' obligations under both mortgages, and did not misconstrue their combined effect, the consequence that the vessel should have been insured for $12m was a matter for him to decide on the facts.

By April 1 1978 when the equivalent cost had risen to $12m the managers should have reviewed the cover accordingly. That was the arbitrator's reasoning and it could not be faulted.

The judge concluded that "130 per cent of the total amount secured by this mortgage" in the second mortgage, required insurance cover for the dollar equivalent of the whole contingent liability of 996m yen under the second mortgage.

That was fallacious. Given the co-existing insurance under the first mortgage, that construction would require a substantial measure of double insurance. Also it failed to take account of the purpose of the second mortgage, which was to secure the repayment sums which the bank "may be called upon to pay and shall pay."

The total amount secured by the second mortgage was therefore limited to 130 per cent of the amounts due and outstanding when the vessel's insurance fell to be renewed.

The judge said that a proper indemnity would be limited to "the full insurable value of the vessel" and that an insurance for 130 per cent of the outstanding mortgage liability was not hull and machinery insurance, but an "insurance of liabilities."

He appeared to have been shocked by the difference between the vessel's reduced market value by 1978 and the extent of the insurance obligations.

That difference was irrelevant. Renewals of hull and machinery policies frequently substantially exceeded the vessel's market value. If the insured value had been properly agreed the character of the insurance remained "on hull and machinery."

The judge appeared to have concluded that the renewal for $10m complied with the owners' obligations under both mortages because it was sufficient to cover the outstanding liabilities under each of them severally, though not under both of them.

That did not provide an answer to the owners' claim. If a person were to deposit £1,000 in a specified account to cover one liability, and then made an identical agreement to cover another, £1,000 in the account would not satisfy both obligations.

The managers' renewal of the insurance in the sum of $10m could not therefore be treated as compliance with their obligations under the first and second mortgages.

The arbitrator's conclusion that it was managers' duty to insure the vessel for $12m was correct.

The managers submitted that they were exempted from liability by a clause in the management agreement which provided that they should not be under any liability for loss arising out of "any error of judgment."

The arbitrator rejected that submission. The judge, on the managers' notice of motion to remit the award on that and other grounds, rightly agreed with the arbitrator.

A *bona fide* misinterpretation of complex contractual provisions could in some circumstances constitute an error of judgment. There was nothing of the kind here. There was nothing to suggest the managers ever addressed their minds to the question of increase in the value of the yen.

In those circumstances they could not rely on the exemption clause. An appeal by the managers on that point was dismissed. An appeal by the owners from the judge's decision that the management agreement was frustrated by loss of the vessel was also dismissed.

For the managers: Mark Saville QC and Simon Gault (Holman Fenwick & Willan)
For the owners: Adrian Hamilton QC and Simon Crookenden (Elborne Mitchell & Co)

By Rachel Davies
Barrister

Third World 'should not bear all sacrifices of debt crisis'

BY DAVID LASCELLES

THE INTERNATIONAL debt crisis cannot be treated as a narrow banking problem, or one where the IMF and the major countries write the ground rules while developing countries make all the sacrifices, **Sir Geoffrey Howe**, the British Foreign Secretary told the FT World Banking conference in London yesterday.

FINANCIAL TIMES WORLD BANKING CONFERENCE

Debtor nations will only undergo their painful economic adjustment if they see signs that the industrialised countries are keeping their side of the bargain which includes:
- Promoting growth and spreading its benefits;
- Reducing the burden of high interest rates;
- Maintaining an effective dialogue.

Mr Roy Jenkins, former president of the European Commission, believed there was no prospect of major alleviation of the debt problem in the next few years and called for a co-ordinated effort to stretch repayments out over 30 years and reduce interest rates.

Creditor governments must pursue responsible growth policies and resists protectionism to create a long-term solution to the debt issue. Debtor nations, however, must also adopt orthodox monetary and fiscal policies, and banks must remain "wholeheartedly" involved, even if their shareholders have to pay the price, said **Prof Brian Griffiths**, dean of the City University Business School in London.

Dr Erik Hoffmeyer, chairman of the Danish National Bank, said an ideal solution would involve giving debtor countries "tax relief" on their interest payments. But since this was impractical he expected the world to muddle through, though there was always the danger of widespread debtor default.

Mr Blas Ople, Labour Minister of the Philippines, said debtor countries would have to raise their "thresholds of pain" to the utmost as they undergo adjustment or until new approaches to the debt problem are found. He warned of the dangers of political unrest, and called for a wider debate about policies in the countries affected.

Debtor countries will have to take a new approach to development in the years ahead to bring their current account positions into alignment with reduced financing from abroad, **Mr Rodolfo Silva**, department manager of the Inter-American Development Bank, said. He stressed the importance of internal savings and exports for an economic development pattern sustainable in the long term.

The present high level of U.S. interest rates is not due to the large budget deficit, but the fact that investors are "locked in" to assets they previously bought as a hedge against inflation **Mr. John Rutledge**, Chairman of the Claremont Economics Institute said.

It could be many years before they can switch into monetary assets and help bring interest rates down and meanwhile the dollar was likely to remain at high levels.

The recent banking crises in the U.S. had prompted bank supervisors to take a broader view of banks, according to **Mr Joe Selby** senior deputy comptroller, in the U.S. government. Instead of just examining banks periodically, they now intend to keep them under constant supervision.

The recent nationalisation of the French banks had not led to any drastic upheavals, **Mr Jean Deflassieux**, chairman of Credit Lyonnais, said. But bankers today have similar fears to industrialists being confronted by greater risks and having to launch new products and back them with appropriate investments.

Giving the view of a small country central banker, **Dr Courtney Blackman** of Barbados said even a partially successful attempt at a generalised approach to the debt problem would help the two worst affected economies in the region, Guyana and Jamaica, and give a boost to regional trade.

"This would do more for the financial outlook of the remainder of us than any other likely development in the world of international finance," he said.

TECHNOLOGY

EDITED BY ALAN CANE

CIRCUIT BOARDS FUNDAMENTAL TO ALL ELECTRONIC GOODS ARE FACING CHANGE

Why components are coming to the surface

BY GEOFFREY CHARLISH

A BASIC change in the way components are assembled on printed circuit boards seems set to affect every segment of electronics manufacturing, from telephone exchanges to the home computer.

The technique, called surface mounting, is already in use in Japan for consumer electronics, and in the U.S. General Motors is a major user for car systems like radios. In the UK, GEC, Plessey, Racal, STC and others are planning products, initially in telecoms, that will be smaller, lighter, more reliable and cheaper to make. Many believe 1985 will be the year in which numerous pilot projects become production lines.

Surface mounted components cost 1.2 to 1.5 times as much as conventional components, but only because high volume production has not been reached.

Normally, holes are drilled and the wire leads or legs of the components are pushed through and flow-soldered to copper pads, which are part of the wiring track pattern on the other side of the board.

Surface mounting (SM), uses components manufactured with pads or tabs on their undersides or edges and these are soldered directly to the circuit pads.

This apparently simple change is having far-reaching effects in terms of size, cost and reliability.

For example, the legs protruding from integrated circuits (there can be 40 or more) are traditionally spaced by 0.1 inch and have to be robust enough for automatic insertion. So although the semiconductor chip itself may only be 0.25 inch square, the final package might be 2.0 x 0.5 inch, simply to accommodate the two rows of legs.

Automated surface placement is a relatively gentle process. It *allows semiconductor packages* of half the size with smaller connection tabs spaced by only 0.05 inch. In addition, space is no longer taken by leds protruding from the ends of resistors and capacitors.

The board, in some cases, can be reduced to a quarter the conventional size and the weight goes down.

At the moment, surface mounted devices cost 1.2 to 1.5 times as much as conventional components, but only because high volume production has not yet been reached. No lead bending or cropping is needed however, and the assembly process is inherently faster and cheaper.

Dr Alex Stark, Mullard's SM expert, thinks SM board costs are about to drop below conventional costs.

But he thinks the greater integrity and reliability of surface mounting is probably more significant. For example, there are no wire leads, which can vibrate and fatigue in some *applications and can be electric*ally unsatisfactory due to their inductance.

The number of plated-through holes is reduced and the number of interconnections can be cut *down. Boards are thinner over*all, and fewer are needed.

The components are fed into placement machines from plastic film encapsulated reels, protecting them up to the moment of assembly. Above all, the placement and soldering processes in surface mounting are, says Stark, ten times more reliable.

In 1980, some 40 per cent of components were being inserted *into conventional* boards by machine, the rest manually. By 1985 Dr Stark believes 30 per cent will be auto-placed for surface mounting, while 50 per cent will be machine inserted. But by 1990, the respective figures will be 50 per cent and 40 per cent.

Development has been quicker in Japan, where some 20 per cent of components are believed to be made in SM form, most going into consumer products. In the U.S. the figure is 5 to 10 per cent and Europe two to three.

In the U.S., Delco (General Motors) has fully embraced the technology and is believed to be consuming several million SM components daily.

There are probably only a few dozen SM board designs in production in the UK, and secrecy abounds. But STC for example, uses it in a pager and in the Viscount display phone.

A production unit has started up at Racal Miscroelectric Systems in Reading, but the company refuses to say how many designs are in production.

One of the UK's biggest subcontract board makers, AB Microelectronics of Glamorgan, is already making over 3,000 surface mounted boards a week in three or four designs. They are all going into consumer products, but managing director Dr B. C. Heap will not name names. He predicts that next year, such circuits will account for over 25 per cent of production and believes this will eventually reach 70 to 80 per cent.

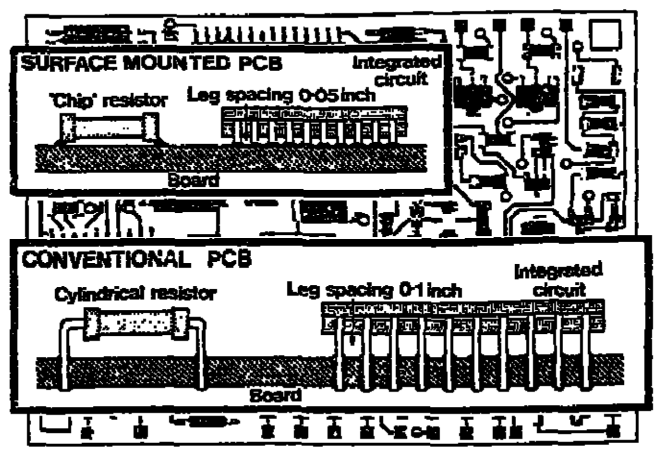
In GEC, the Marconi Research Centre at Baddow is actively investigating surface mounting, and the technique is applied to military products. GEC Telecommunications has deployed a few boards on a trial basis, and Marconi Electronic Devices offers SM components. Although Peter Du Feu, a manufacturing specialist in the FAST (factory automation systems) project at Rugby believes there are still some problems with SM, including board testing, he thinks 1985 will be "take off" year for SM.

Development has been quicker in Japan, where some 20 per cent of components are believed to be surface mounted

Plessey is closely studying surface mounting, particularly for digital communications circuits. It offers components for radar and radio equipment.

The computer industry is also on the verge. ICL for example, has a pilot facility at Kidsgrove, has one small board in production, and expects to be making boards with 200 to 300 components, entirely in SM, late in 1985.

At Marconi Secure Radio Systems at Hill End near Dunfermlin in Scotland, two boards will be going into production early in 1985 for the Scimitar and Minstrel hand-held armed forces communications sets the company is manufacturing as a private venture.



How surface mounting works

SURFACE mounting emerged 20 years ago with hybrid cir*cuits, in which thick film* resistors were fired on to ceramic substrates and other components were added. It is an alternative to integration on silicon for low volume or special environment applications.

Later, surface-mounted leadless chip carriers cut the space occupied by ICs and reduced PCB costs.

Some 20 machine makers *have emerged to surface*-mount components — the MPS500 from Emhart Dyna Pert Precima in Colchester, for example, is widely used.

The final development is the total conversion of the PCB to SM. Siemens and Mullard/Philips, among others, offer both placement equipment and SM components — one Philips machine can place 0.5m components an hour.

Many machines place a few thousand components an hour and might cost between £40,000 and £130,000. Top end machines can place components 32 at a time. Machines can be software controlled for moderate runs of many types of board, or hardware controlled for high volume production of a few types.

Mixed boards will be com*mon until all components* are available in SM form. In production, the pad areas are screen printed with solder paste, the components placed and the board heated (with infra-red for example) to solder the joints. Then, conventional components are auto-inserted from the top and the board is wave soldered underneath.

Silicon

Large wafers

IBM HAS succeeded in pulling experimental eight-inch diameter silicon crystals at its East Fishkill, New York site.

Five-inch wafers, commonly used in the semiconductor industry, can accommodate about 850 chip sites. The experimental eight-inch wafers derived by slicing and polishing the bigger crystal each have space for 2,000 chips. Since the manufacturing processes are similar whatever the size, an increase can be expected in productivity and a reduction in the overall cost per chip.

One of the company's advanced semiconductor and packaging sites, East Fishkill *houses the industry's biggest* crystal pullers

The diameter of the crystal is the result of careful control of both the temperature of the molten silicon from which the crystal is pulled, and the speed of pulling. The process takes about 24 hours and IBM is using its own Advanced Control System for process control.

JAPANESE SUBMARINES

3km under the sea

ENGINEERS in Japan plan to develop by 1986 a remote-controlled submarine vehicle that will travel up to 3 km below the sea surface.

The Dolphin-3K, under construction at the Japan Marine Science and Technology Centre in Yokosuka, could play a part in any exploitation of underseas minerals that takes place in the late 1980s. It will have a mechanical hand with which the machine could take samples of metal-rich nodules that litter the bottom of parts of the Pacific Ocean.

The device will have a rudimentary ability to visualise its surroundings with TV cameras. It will avoid obstacles with sonic sensors linked to a computer.

Dolphin will be a development of several items of submarine hardware devised at the marine centre since 1978 but will operate at greater depths.

The device will be shaped like a large crate about 3 metres long. An operator on a ship will send commands to the vehicle via an optical fibre cable. Information from the sea bed, for example picture signals from a TV camera, will be sent to the surface by the same route.

Small thrusters, powered by a hydraulic unit, will propel the vehicle. In other developments, workers in Yokosuka plan to develop an undersea machine that will work independently of commands from the surface. They are also working on a machine that would operate at 9 km under the surface.

In previous work, the researchers have built small vehicles known as JTV-1 and JTV-2 that swim 200 metres under the wave tops. These have been used in offshore work, for example to find out the depth of seas around Antarctica.

The marine centre has developed a deeper version of these vehicles called Mosquito and is working on yet another craft, christened Hornet, that will send information to the surface from a depth of 500 metres.

PETER MARSH

COMPUTER SYSTEMS

Machines that give professional advice

ICL AND Systems Designers International (SDI) have jointly spent £5m developing a knowledge-based computing system which will be marketed respectively as Adviser and Envisage.

The idea of the system is to capture not just the facts, but the experience and judgments deployed by specialists, so that others can solve problems and be given advice on a screen and keyboard terminal.

Adviser is not an "expert" system in the sense that it encapsulates, say, a doctor's or an engineer's professional knowledge, but is more concerned with allowing clerical, sales and administrative staffs to call up appropriate specialised knowledge to do their jobs quicker or better.

"Within five years computer systems will have to incorporate knowledge to aid their sale."

Guidance in the use of complex administrative regulations is a good example, or help in making the best choice of a product or service when answering customers' telephone inquiries.

The system has been designed to allow the specialists in a company to design applications themselves, often without the help of computer personnel. It is a "shell" software system that allows applications to be formulated in many different fields. It contains both reasoning and deductive abilities.

According to Asa Lanum, Director of Applied Systems at ICL: "Within five years, computer systems will have to incorporate knowledge to aid their sale and use if they are to be successfully marketed." He claims that very soon, knowledge based systems will be critical to the survival of companies that trade on the quality and competitiveness of products and services.

Lanum believes the world market value of knowledge based solutions will grow from $40m out of the present total of $10bn for software and services, to $10bn out of $60bn within the next ten years.

The ICL Adviser runs on the company's VME/2900 computers, while Envisage runs on DEC VAX machines. ICL will be offering the system on smaller machines from mid-1985. It costs from £15,000.

ICL has already embarked on some interesting applications, although customer names are not forthcoming. For example, it has helped develop a system that puts some of the interviewing expertise of a personnel manager into the hands of the departmental manager who has to interview candidates for a job in his department. ICL is on 01-788 7272, and Systems Designers on 0276 62244.

GEOFFREY CHARLISH

Dow discovers 'corporate entrepreneurship'

Christopher Lorenz explains how the U.S. chemicals giant is learning how to speed up new product and market development

WHEN Paul Oreffice, the energetic president of Dow Chemical, declared three years ago that by 1987 half the company's earnings would consistently be coming from "specialty" products, outsiders reacted with a cynical smile.

Here was yet another chief executive with grandiose ideas about moving away from low-margin commodity products into high-return businesses, but with little understanding of how long it takes for a large company to diversify so radically—if, indeed, it can make the transformation at all.

Many people within Dow had been just as sceptical in 1978, when the objective was first formulated. At that time specialities accounted for less than a quarter of the company's profits.

Yet over the past few months it has emerged that the Michigan-based multinational, which with sales of $12bn is America's second largest chemical company after du Pont, is well on course. After a decade of stagnation, new products are starting to flood through its veins.

In the financial year which ends this month there has been a surge in its basic chemicals business after several years of recession, yet about 40 per cent of its earnings will be accounted for by specialities—such things as a new bathroom cleaner called Tough Act, polystyrene labels for domestic bottles, and building materials coated with plastic foam.

Dow's ability to execute this dramatic change in direction owes a certain amount to a spate of devertisments of commodity chemical businesses all over the world, from the U.S. to Japan. It has also been aided by a few major acquisitions, notably the ethical drugs business of Richardson-Merrell in 1981. After the $250m purchase of Morton Thikol's Texize speciality division last month, other takeovers may be on the way, to judge from Oreffice's public statements.

But the most fundamental factor for the future of the company is Dow's apparent discovery of a magic formula for which large companies throughout the industrialised world are desperately groping: the ability to shake up established corporate cultures and bureaucracies, with their crippling disdain for risk-taking and their worship of size. Only then, as Dow is beginning to demonstrate, can they seize far more new product opportunities and turn them into billion dollar money-spinners, or—a newly acceptable goal for a multinational into profitable collections of medium-sized businesses.

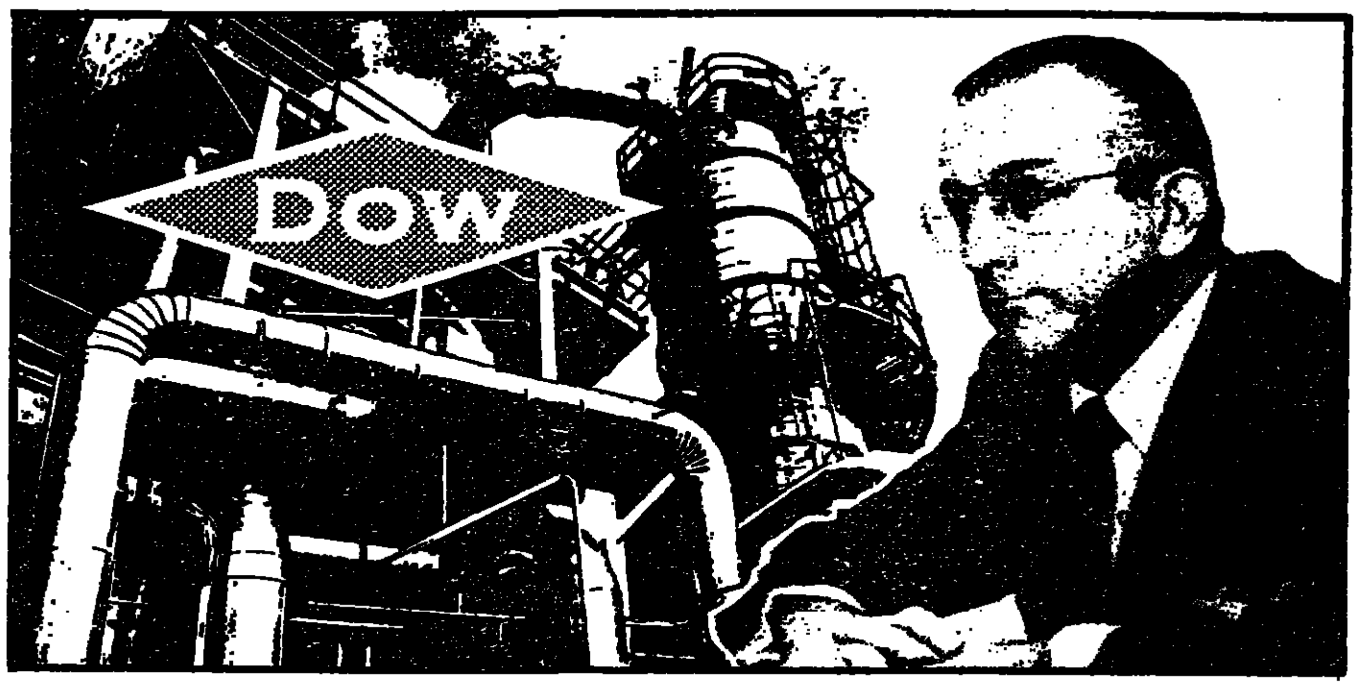
The key to Dow's move towards what has been dubbed "corporate entrepreneurship" (or "intrapreneurship," as some purists insist on calling it) has been its rejection of the most common yet ineffective method of internal corporate diversification: the creation of a special "new venture group" to develop and nurture a portfolio of innovative projects while the rest of the organisation plods on unchanged.

Such a strategy almost invariably founders on transplant problems: the venture group's new projects, or the group itself, are rejected by the prevailing corporate culture. After several years of frustration and disappointment, the group dies quietly, forgotten in a corner (see "All too easy to stifle it to death," this page, March 30).

Instead, Dow has chosen a much more ambitious and difficult route: to try and change the attitudes of managers *throughout* the organisation—the company's very "culture," in other words— to such an extent that each unit becomes its own cultivator of new ventures. A small corporate new ventures staff has a vital part to play, but mainly as a device to spark the process of change.

"The magic is not to relieve the rest of the organisation from the need to spawn new ventures, but precisely the reverse—to get everyone to do it," says Bill Fletcher, the first of Dow's U.S. new ventures unit (he recently retired). Confining the task to a new venture group "is a sure way to failure," he insists.

For the company so late into the speciality market place—Dow's basic business has always been the supply of bulk chemicals to other chemical companies—this strategy was a particular challenge. Setting the shift in motion has required much more than just a systematic and persistent top management compaign to focus everyone's attention on the "profit gap" created by the chemical industry's slowdown from its traditional annual growth rate of 7 per cent, and to publicise the consequent importance of getting more deeply into specialities.



Paul Oreffice: trying to create an organisation that is as flexible as a collection of small companies

As Andrew Butler, commercial vice-president of Dow U.S.A., points out, "it takes a long time for that sort of objective to become really rooted among operational people." So top management needs to signal its commitment with actions, not just with words. "The corporate body language has to be consistent, as Butler puts it.

Dow's drive for diversification —a term which it confusingly often uses to mean "innovation"—certainly involves all sorts of corporate body language, in the form of action at the top of the body, as well as lower down.

● It has formally revised its corporate strategy, with "downstreaming" towards the ultimate consumer now a prime goal. Dow is no longer bashful about competing with its customers, says Frank Popoff, president of Dow Europe: "I won't abdicate any market to any customer."

● It has restructured itself at various levels into smaller units, so as to improve managerial motivation, to encourage research and marketing to become more focused, and to foster closer collaboration between marketing and product development.

The changes include a belated split last year in Dow's commercial organisation in the U.S.: this now consists of three commodity departments (plastics, organics, and inorganics, all of them equivalent to "divisions" in many other companies); and three in industrial specialities (urethanes, coatings and resins, and speciality resins and fabricated products). The consumer products group was already separate, as were pharmaceuticals and agrochemicals.

Butler, the prime mover behind the split, says it was needed "to allow two very different sorts of businesses to be managed differently. One requires very careful management, the other a bounding, jumping, leaping type of approach. The change was necessary in order to give both cultures the chance to flourish."

There have also been structural changes at much lower levels of the organisation, for example in the establishment of more precisely focused multidisciplinary "business teams" of technical, production and marketing staff.

● There has been a shift of R and D projects, funding and staffing away from the refinement of existing chemical processes towards the development of more product applications, as well as towards work on new specialities. At the same time R and D spending has been increased, from $232m in 1978 to $500m in 1984.

● Large batches of young development chemists and engineers with special skills have been recruited.

● On selected projects, special reporting structures have been created which bypass up to two levels of management.

● Ancillary measures have been taken to speed the flow of products into the marketplace, including the creation of avenues for funding and supporting early product development outside the normal departmental structure where necessary. This has been one of the roles played by Dow's corporate new ventures unit in the U.S. (its "innovation development department") and by its European counterpart (the "diversification department"). "Discovery research and development" functions have also been established.

● Various steps have been taken to galvanise the commercial side of the organisation into acting as market development managers rather than as mere salespeople. Jack Flynn, Fletcher's successor as innovation development director, describes this as "searching for needs, not just for orders," and claims that "what each unit knows about its markets is far more than just a couple of years ago."

In the speciality departments, commercial responsibility has been pushed down from a committee structure to a new level of individual directors, who have been given unusually high growth targets.

In order to improve the company's reach into the speciality marketplace, there has been a marked restructuring of the sales organisation into specialised units with narrower product lines, and much more highly qualified technical sales staff.

● On both the technical and commercial sides of the organisation, there has been a careful appointment of unit managers with a record of unusual drive and resourcefulness. This is in sharp contrast from previous policy, where responsibility for new products tended, as in many companies, to be given either to inexperienced young managers, or to older people who had failed to make the grade into management of any of the major product groups.

● "Future awards" have been established for projects that quickly reach a profitable turnover of $1m.

● Several small "beachhead" acquisitions have been made, in order to gain access to new technology and new markets. These include the setting-up of a number of joint ventures with small companies in several countries, including Canada, Italy and Switzerland.

Just about the only obvious measure which has not so far been taken is a formal change in the performance appraisal and incentives process for individual managers, so that they are more clearly rewarded for doing risky new things, rather than for short-term performance.

Andrew Butler sees the beginnings of a change in the way the existing appraisal and rewards procedures are applied, in that quite a number of unit bosses are starting to encourage innovation and to tolerate failure. "If you don't have any failures, you're not doing enough," he emphasises. "You mustn't always crucify a guy because he fails."

The complexities of introducing a more systematic approach to rewarding entrepreneurship are daunting. But Butler says exploratory investigations into possible processes are being made. Several of Dow's senior managers certainly think something of the kind will definitely prove necessary to reinforce the current flush of enthusiasm for Paul Oreffice's goal of creating "an organisation that allows Dow to act as a small company."

A further article on this page shortly will examine the progress being made towards this objective within Dow Europe, where the maverick head of the "diversification department" has succeeded in championing a remarkably rapid change.

Management abstracts

Behavioural medicine. A. Cott and J. Gandz in Business Quarterly (Canada), Summer 84 (8½ pages, tables)

Describes, with a case example at St. Joseph's Hospital in Hamilton, Ontario, an approach to persistent absentees which separates medical from motivational factors and presents employees with remedial action on an "improve, or leave" basis, claiming rapid payback due to improved performance and reduced absence.

Keeping audiences awake. K. Clayton in Audio Visual (UK), Sept 84 (2½ pages, illus.)

The former launch manager for BL Cars lays down do's and don'ts for audio-visual programme-making; covers creativity, visual clichés, buying hardware, programme length, voice quality...

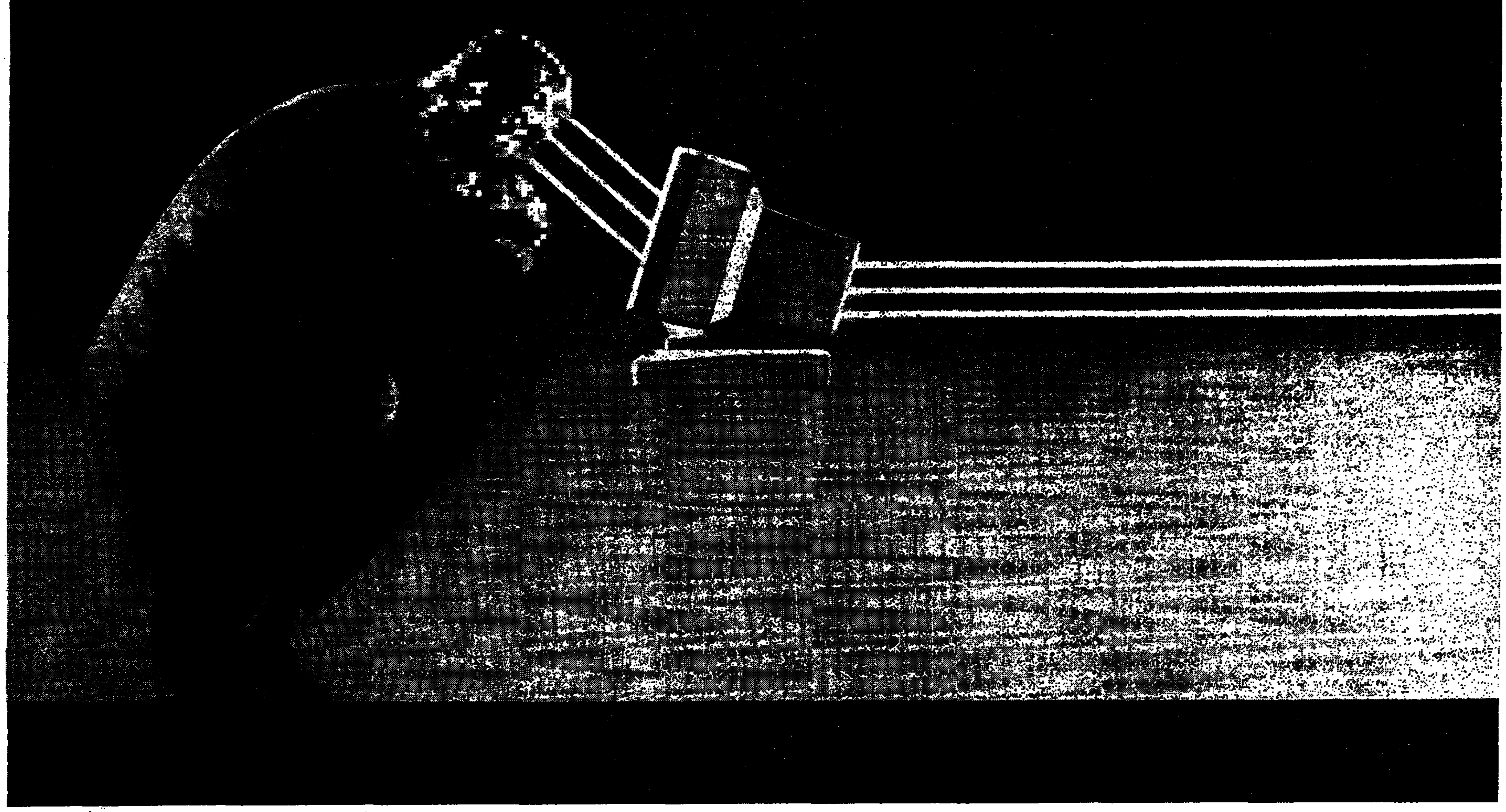
How to avoid business blunders abroad. D. A. Ricks in Business (U.S.), April/June 84 (8½ pages)

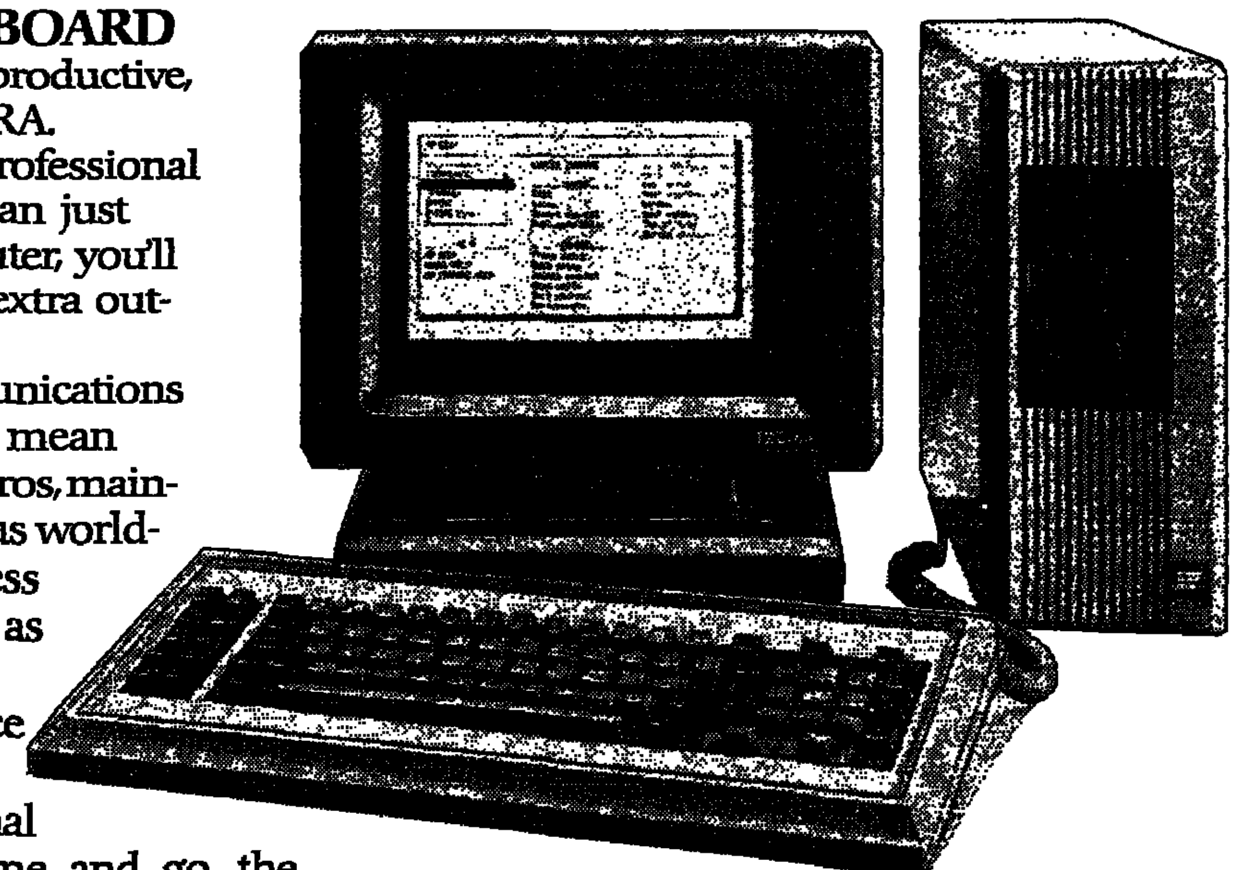
Presents a host of examples of disastrous product launches abroad—in most cases naming both product and company; describes various gaffes that caused offence or created misunderstanding, with failure to sell as the consequence; demonstrates how domestic promotional strategies can be unworkable overseas, and suggests lines of research essential/desirable before attempts are made to penetrate foreign markets.

More complaints from satisfied customers. U. Hansen and others quoted in Absatzwirtschaft (Fed Rep of Germany), September 1984 (3 pages, in German, English version available)

Summarises a seminar on the subject of customer complaints which should be encouraged rather than minimised. Various German and U.S. investigations are cited to make the point that manufacturers/traders stand to gain from paying attention to complaints and dealing with them in a manner that will, if anything, increase customer loyalty to products. There is a separate account of the complaints policy of Braun AG, the electrical manufacturers, whose customer relations department reports direct to top management.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £3 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley, HA9 8DJ.





THE ARTS

Arts Week

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Opera and Ballet

PARIS

Die Entführung aus dem Serail alternates with Tosca, conducted by James Conlon. The title role is sung by Hildegard Behrens and that of Cavaradossi by Luciano Pavarotti. Paris Opéra (742.57.50).

Operetta Season at the Théâtre Musical de Paris: La Fille de Mme Angot alternating with Strauss's Fledermaus combines high musical quality with the fireworks of a great show. TMP-Châtelet (261.19.83).

NEW YORK

New York City Ballet (New York State Theater): The 31st season will have the 100th performance of The Nutcracker during its month-long performances. Lincoln Center (8705570).

LONDON

Royal Opera, Covent Garden: *The new production of Der Rosenkavalier mounts a glittering roster of names: Solti as conductor, John Schlesinger as producer and a cast led by Kiri te Kanawa and Agnes Baltsa.* (240 1066).

English National Opera, Coliseum: Josephine Barstow's performance as the 300-year-old heroine of The Makropulos Case is only the most pressing reason for a visit to the revival of Janacek's most fascinating opera. Other ENO revivals include a well cast Così fan tutte led by Felicity Lott, Jean Rigby and Adrian Martin and the celebrated Freudian reinterpretation, by David Pountney, of Dvořák's Rusalka, with Eilene Hannan in the title role. (8363161).

Welsh National Opera, Dominion: *The closing two performances of the latest WNO London short season are given over to Janacek's From the House of the Dead, one of the company's most remarkable achievements, and the new, already much-argued-over Don Giovanni production by Ruth Berghaus, conducted by Charles Mackerras.*

WASHINGTON

Washington Opera (Terrace): The season continues with a new production of La Sonnambula and a revival of Menotti's The Medium & The Telephone. Kennedy Center (2543770).

Joffrey Ballet (Opera House): A fortnight's mixed programmes inaugurate an American Ballet festival, starting with 15 ballets by seven choreographers by the Joffrey company. Kennedy Center (2543770).

CHICAGO

Lyric Opera (Civic Opera): J. Patrick Raferty is Figaro and Kathleen Kuhlmann is Rosina in Il Barbiere di Siviglia and Eva Marton continues in the new production of Richard Strauss's Die Frau ohne Schatten; Carmen stars Alicia Nafe and *Maurizio Frusoni as Don Jose.* (3322244).

NETHERLANDS

Scheveningen, Circus Theatre. A Stra*vinsky programme from the National Ballet:* Agon, Monumentum pro Gesualdo, Movements for Piano and Orchestra (All Balanchine) and Orfeo (Toer van Schayk). (Tue). (358800). Repeated Wed in Utrecht, Stadsschouwburg (310241), and Thur in Eindhoven, Stadsschouwburg (117555).

Scheveningen, Circus Theatre. Netherlands Opera with La Fanciulla del West, directed by David Pountney; Karan Armstrong and Henk Smit, with the Utrecht Symphony Orchestra and the Netherlands Opera Choir conducted by Bohumil Gregor (Sat). (558800). Repeated Tue and Thur in Amsterdam, Stadsschouwburg (242311).

ITALY

Rome, Teatro dell'Opera: A new production of Don Giovanni by Jerome Savary conducted by Peter Maag, has Silvano Carroli in the title role. (46.17.55).

Milan, Teatro alla Scala: Season opens here according to tradition on Dec 7 with a new Carmen conducted by Claudio Abbado with Goyaesque scenery and costumes by Piero Faggioni, Shirley Verrett in the title role and Placido Domingo and Jose Carreras. (80.91.26).

WEST GERMANY

Berlin, Deutsche Oper: Tosca, sung in Italian, has fine interpretations by Janis Martin and Giorgio Lamberti. Der Barbier von Sevilla has Ann Murray and Rüdiger Wohlers in the main parts. *The Magic Flute* features Barbara Greenberg and Harald Stamm. (34381).

Cologne, Opera: *The Magic Flute* has Krisztina Laki and Matthias Hölle as leads. Hänsel und Gretel is worth a visit, with *Edith Kertesz-Gabry* and Marijke Hendriks in the title roles. (20761).

BRUSSELS

Damnation of Faust by Berlioz conducted by Sylvain Cambreling with Jose Van Dam. Palais des Beaux Arts (5125045).

Cirque Royale XXth Century Ballet directed by Maurice Béjart. Ce que l'Amour me dit. (2182015).

VIENNA

Staatsoper: Macbeth conducted by Sinopoli; La Bohème conducted by Lombard with Ghazarian and Carreras. (53 24/2655).

Volksoper: Donizetti's Daughter of the Regiment conducted by Bauer-Theussl; Merry Widow; Smetana's Bartered Bride. (53 24/2657).

Music

ZURICH

Tonhalle: Kammermusiker Zurich. Reger and Bach (Mon); Zurich Chamber Orchestra with Jean-Pierre Rampal, flute, Milhaud, Bach, Quantz and Stamitz (Tue); Munich Philharmonic Soloists, Dvorak and Mozart (Wed); Prager String Quartet, Mozart, Janacek and Smetana (Thur).

WASHINGTON

National Symphony (Concert Hall): Andrew Litton conducting. Weber, Schumann, R. Strauss, Respighi (Tue) Kennedy Center (2543776).

NETHERLANDS

Amsterdam Concertgebouw. Sir Colin Davis conducting the Bayerischen Rundfunks Symphony Orchestra, Berlioz, Debussy, Dvorak (Tue); Concertgebouw Orchestra under Bernard Haitink, with Jean Decroos, cello, Brahms, Martin, Beethoven (Wed and Thur). Recital Hall (Wed): Peter Frankl, piano, Gyorgy Pauk, violin, and Ralph Kirshbaum, cello, Piano trios by Mendelssohn, Beethoven, Schubert. (718345).

BRUSSELS

Belgian National Orchestra conducted by Mendi Rodan with Pierre Alain Volondat, piano. Schumann and Rimsky Korsakov. Palais des Beaux Arts (Mon). (5125045).

Amadeus Quartet: Haydn, Britten and Beethoven. Palais des Beaux Arts (Tue).

Bayerische Rundfunks Symphony Orchestra conducted by Colin Davis. Berlioz and Dvorak (Thur).

CHICAGO

Chicago Symphony Chorus (Orchestra Hall): Traditional Christmas concert with works by Britten, Praetorius, Poulenc and others, conducted by Margaret Hillis and others (Tue) (4358122).

Chicago Symphony (Orchestra Hall): Daniel Barenboim conducting. Beethoven, Debussy, *Scriabin (Thur).* (4358122).

VIENNA

Counterpoint Ensemble led by Peter Keuschnig. Stravinsky, Debussy, Berg and Bartok. Musikverein *Brahms Saal (Mon. (658190).*

Haydn Trio, Mozart, Schumann and Mendelssohn. Konzerthaus Mozart *Saal (Tue). (721211).*

PARIS

Orchestre Colonne conducted by Janos Kulka with Gerard Poulet: Brahms, Mendelssohn (Mon). Salle Pleyel (561.06.30).

Siegfried Jerusalem recital, Siegfried Mauser, piano: Mahler, Strauss, Schumann (Mon). Théâtre de l'Athénée (742.67.27).

Orchestre National de France conducted by Pierre Boulez, Phyllis Bryn Julson, soprano: Debussy, Ravel, Amy, Messiaen (Mon). Théâtre des Champs-Elysées (723.47.77).

Ani and Raffi Petrossian, piano: Brahms, Ravel, Arensky, Stravinsky (Tue). Salle Gaveau (563.20.30).

Gaetane Prouvost, violin, Abdel Rahman el Bacha, piano: Bach, Prokoviev, Schumann, Ravel (Wed) Salle Gaveau (563.20.30).

NEW YORK

New York Philharmonic (Avery Fisher): Zubin Mehta conducting, Christian Altenburger, violin, Carole Farley, soprano. Schubert, Berg (Tue); Zubin Mehta conducting, Joseph Robinson, oboe. Wolf, Beethoven, George Rochberg Oboe Concerto (world premiere). (Thur). Lincoln Center (7999595).

Musica Sacra Orchestra and Chorus *(Avery Fisher): Richard Westenburg musical director. All-Handel programme (Mon & Wed).*

LONDON

London Symphony Orchestra conducted by Eduardo Mata. Strauss, Mozart and Dvorak. Barbican Hall (Mon). (6388891).

Philharmonia Orchestra and Choir of King's College Cambridge and Philharmonia Chorus conducted by Stephen Cleobury. Carols and music for Christmas including Bach and Charpentier. Royal Festival Hall (Tue). (9283191).

London Soloists Chamber Orchestra and Choir. Mozart. Queen Elizabeth Hall (Tue). (9283191).

Exhibitions

WASHINGTON

National Gallery: Old Master Drawing from the Albertina, celebrating two centuries of Austro-American relations, includes Dürer's Praying Hands among the 75 works by Fragonard, Rembrandt, Pieter Bruegel the Elder, Lucas Cranach the Younger, and others. Ends Jan 13.

Hirshhorn: The entire third floor of the gallery will be filled with 157 works of painting, sculpture, constructions and installations done in the past decade by 147 artists in celebration of the museum's 10th *anniversary. Ends Jan 6.*

VIENNA

Medieval Art from Serbian Monasteries: This exhibition from Yugoslavia of religious art from Serbian Medieval Monasteries covers the period from the 10th to 17th centuries and includes some intricately worked silver book covers, chalices and incense burners. Gilded icons are also of interest, showing a surprisingly modern angular technique in depicting garments. Other exhibits include illuminated manuscripts and copies of frescoes, and all show a fascinating intermingling of eastern and western artistic influences. Museum of Mankind. Ends Jan 20.

BRUSSELS

Museo del Oro de Bogota, Colombian Gold Artifacts. Bellevue Museum. Ends Jan 20.

Antwerp, Fine Arts Museum. Aspects of Irish Painting: Basil Blackshaw, Patrick Collins, Barrie Cook, Louis le Brocquy, Tony O'Malley and Camille Souter. Ends Dec 9.

PARIS

Le Douanier Rousseau: Extraordinary tropical vegetation with exotic flowers, gently poetic images of Paris and its surroundings, dignified portraits of himself and his friends fill Douanier Rousseau's canvases. Self-taught, appreciated by Apollinaire yet cruelly mocked by others, he found an escape from the daily humdrum existence in the dream world of his paintings. Grand Palais, 10am-8pm. Wed till 10pm, closed Tue. Ends Jan 7. (260.39.26).

NEW YORK

Metropolitan Museum of Art: Te Maori begins its U.S. tour showing the native treasures of New Zealand, with a rich Polynesian heritage of stone and ivory ornaments, bone and stone weapons and wood carving. Ends Jan 6.

Museum of Modern Art: Primitivism in 20th Century Art has much good modern work by Picasso, Max Ernst, Brancusi among many others as well as striking tribal objects from Asia, Africa and North America, but the theme itself seems meant to fill space more than provide a better understanding of the primitives or the moderns. Ends Jan 15

Van Gogh in Arles (Metropolitan): The first important exhibit to catalogue the annus mirabilis in 1888–89 when Van Gogh was inspired by the South of France is covered in 146 works, including paintings, drawings and letters. Special ticketing with specified entry times reflects anticipated ticketing with specified entry times reflects anticipated crowds of up to half a million. Ends Dec 30 (570 3970).

LONDON

The Royal Academy: Modern Masters from the Thyssen-Bornemisza Collection — a remarkable run through the history of western painting in the past 100 years or so. It reflects, as it must, the collector's taste and prejudices. But these are tempered by an admirable catholicity of interest, which can accomodate quite happily important works with surrealism abstract expressionism with constructivism, realism with cubism. We begin with Corot and Degas and end with Bacon, Freud and Giacometti, with Pollock, Picasso, Mondriano, Beckmann, and so many others in between. Ends Dec 19.

WEST GERMANY

Cologne, Museum für Ostasiatische Kunst, 100 Universitätsstrasse: The Museum of Far Eastern Art is showing Korean art – some of which is more than 5,000 years old. It includes extremely thin-walled storage jars with scratch patterns, bronze and stone weapons, glazed vessels, woodcut prints, gold sheeting and gold ornaments, pearls, green jade and glass, a sepulchral crown, bronze figures and tombstone reliefs. Ends Jan 13.

Cologne, Römisch-Germanisches Museum: The Treasures of San Marco' has arrived. Forty-three pieces representing the best of antique, Islamic, Byzantine and occidental art from the world's biggest church treasure. Ends Jan 27.

ITALY

Venice: Palazzo Ducale: The Treasures of the Pharaohs – a rich and fascinating exhibition of more than 80 works (lent by the Cairo Museum) – covering over 3000 years, and containing an enormous variety of objects from mundane things such as combs and cooking pots to the contents of Tutankhamun's tomb. Until End of December.

Venice: Museo Correr. Drawings by Gian Antonio and Francesco Guardi, *a delightful exhibition of 250 drawings by the brothers, including, among the subjects, the famous views of the city by Francesco.* (Closed Tue). Ends Jan 31.

TOKYO

Contemporary Japanese Art, the annual exhibition known as the Nitten (the largest in Japan) of contemporary art over the last two decades, includes works by Japan's new generation of artists. Tokyo Metropolitan Art Museum, Ueno Park (close *to the National Museum).* A visit provides both an interesting art experience and the opportunity to sample a Tokyo autumn in one of the city's largest parks. Enjoy lunch in the open between exhibitions, view the autumn leaves and observe Tokyo families at play. Ends Dec 16.

NETHERLANDS

Amsterdam, Allard Pierson Museum: Similar But Different, an exhibition marking the archaeological museum's 50th anniversary, is devoted to daily life in Egypt, from 3500 BC to 600 AD. Not grandeur, then, but domesticity, as the visitor is *led* through a series of small rooms (one a re-creation of an Egyptian interior) displaying everyday objects, delicate faience work, jewellery and religious artefacts. Richly illustrated catalogue. Ends Jan 1985. Concurrently, on the top floor, a remarkable display of the earliest photographs (1839–1860) of the monuments lining the Nile.

Theatre

LONDON

The Real Thing (Strand): Jenny Quayle and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a *happy note of serious* levity. (836 2660/4143).

Daisy Pulls It Off (Globe): Enjoyable romp *derived from the world of* Angela Brazil novels: gym slips, hockey sticks, a cliff-top rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592).

Noises Off (Savoy): *The funniest play* for years in London, now with an improved third act. Michael Blake*more's brilliant direction* of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has *10 minutes of Spielberg* movie magic, an exciting first half and a dwindling reliance on indiscriminate rustling around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 8834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Mother Courage (Barbican): *Fine RSC* presentation by the design team of Cats – John Napier and David Hersey – with Judi Dench as a scavenging, music hall and finally moving Courage pushing her elaborate cart of stage machinery through the Heavyside Layer. *Howard Davies* directs, good support from Trevor Peacock, *Stephen Moore and Zoe* Wanamaker. (628 8795).

Phedra (Old Vic): Glenda Jackson remarkable as the nearly incestuous tragic queen in a thrilling production by Philip Prowse. Costumes of shot silk and taffeta, and Robert David MacDonald's translation bravely takes on the challenge of Racine's untranslatable Alexandrines. Gerard Murphy, Tim Woodward and Georgina Hale in a strong cast. (928 7616).

Two Into One (Shaftesbury): Donald Sinden and Michael Williams head the cast of a *blissfully funny farce* by Ray Cooney in the old Whitehall tradition. An irate manager, Lionel *Jeffries, declares: "There's far too* much sex going on in this hotel, and I'm not having any of it." Not to be *missed. (379 5399).*

NEW YORK

Sunday in the Park with George (Booth): Not your conventional musical. Stephen Sondheim's latest is an inspired pairing with director and playwright James Lapine to bring Georges Seurat's painting to life, with Mandy Patinkin as the painter and Bernadette Peters as his imagined girlfriend, Dot. (239 6262).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

Torch Song Trilogy *(Helen Hayes):* Harvey Fierstein's ebullient and touching story of a drag queen from *backstage to loneliness incorporates* all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Alastair Muir

Judi Dench in Mother Courage at the Barbican, London

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

On Your Toes (Virginia): *Galina Panova* with presumably a genuine Russian accent leads an exuberant cast *in the remake of Rodgers and Hart's* 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth *Avenue choreographed by George* Balanchine and directed, like the original, by George Abbott. (977 9370).

Brighton Beach Memoirs (Neil Simon): *If he wasn't sure before,* playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

Noises Off (Brooks Atkinson): Dorothy Loudon brings Michael Frayn's backstage slapstick farce to Broadway in Michael Blakemore's production that includes Brian Murray, Paxton Whitehead and Victor Garber as her backstage conspirators. (245 3430).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 6200).

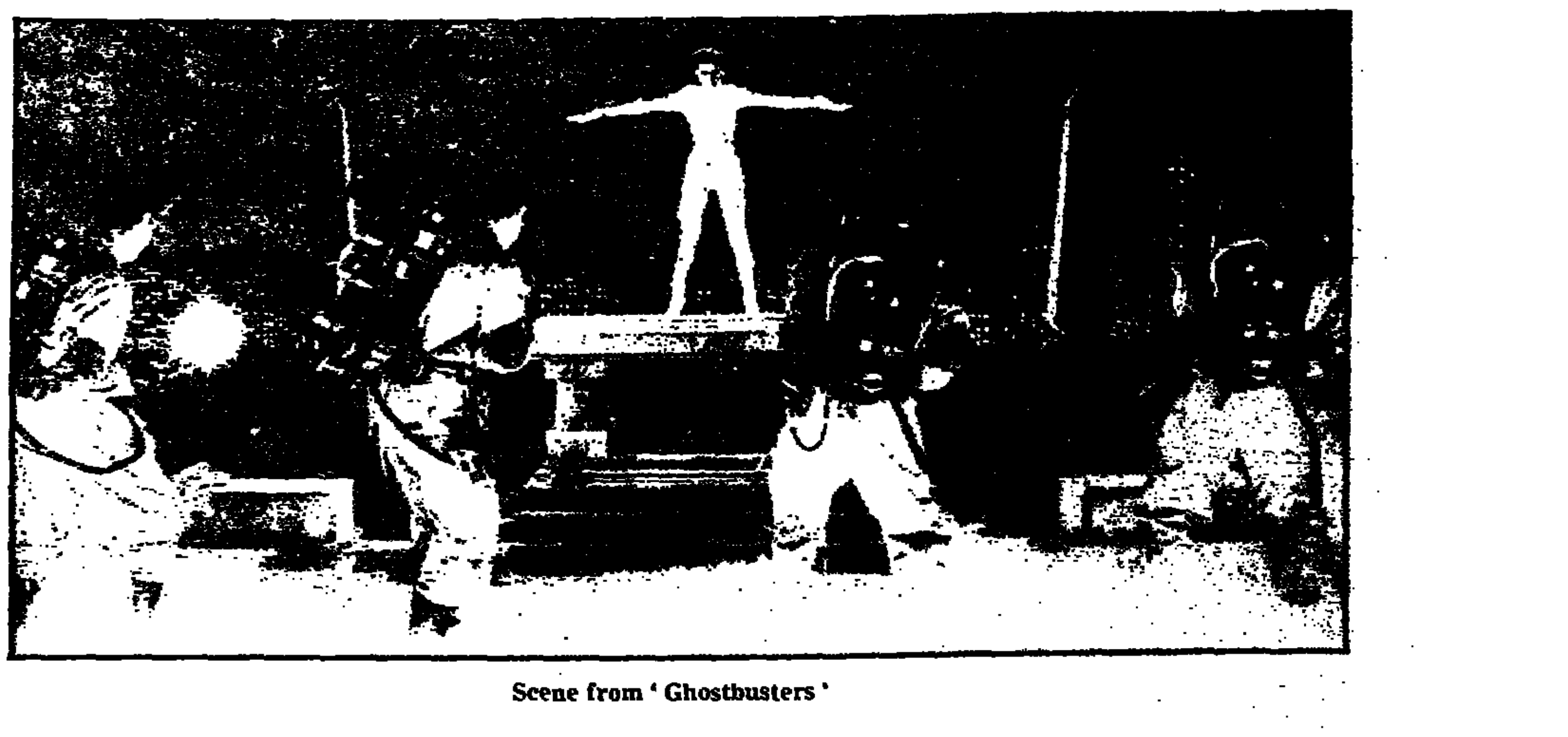
Glengarry Glen Ross (Golden): The Chicago cast from the Goodman Theatre provided David Mamet with a Pulitzer Prize for his latest work that pits fast-talking real estate salesmen against the world and each other. (239 6200).

Balm in Gilead (Minetta Lane): John Malkovich's energetic but nostalgic revival of an early Lanford Wilson play brings back the wide-eyed, drugged out 1960s and 70s to the accompaniment of Bruce Springsteen songs. (420 8000).

Quilters (Jack Lawrence): Based on American pioneer women's descriptions of their work in making quilt blankets, Molly Newman and Barbara Damashek's musical arrives in New York remounted from its modest origins in Denver. (307 5452).

WASHINGTON

Crossed Words *(Folger): A Christmas season pantomime is not much of an American tradition, but with John Neville-Andrews, an English head of* the company, and the Globe Theatre as the setting, there is hope it can *still catch on. Ends Jan 6. (5464000).*



Scene from 'Ghostbusters'

Cinema/Nigel Andrews

The nasties strike back

Gremlins, directed by Joe Dante
Ghostbusters, directed by Ivan Reitman
A Christmas Carol, directed by Clive Donner
The Pope of Greenwich Village, directed by Stuart Rosenberg

Deep in small-town America something appalling stirs. It chatters and gibbers and scuttles and hellraises—it bites and flashes and breakdances. It is a gremlin. And *Gremlins* is the revenge of the Hollywood id on the superego saintliness of *ET*.

Cuddly movie monsters have been replicating themselves by the thousand in recent years to pick our purses in toyshops round about Christmas. The time had to come when lovable burping vacuum-cleaners (R2-D2) and lovable pop-eyed pygmies (ET) were overthrown by grislier guerrilla variants. The gremlins of *Gremlins* are the Khmer Rouge of the cuddly toy age; and their nightmare antics are even preceded by a phantom entente as Joe Dante's splendid black comedy swings into action. Inventor Hoyt Axton, roaming Chinatown, buys *his son a furry little* pet called a Mogwai. Resembling a doe-eyed, long-eared Pekinese, he comes in a box and charms all hearts. But he also comes with the old Chinese vendor's strict instructions: *do not* get Mogwai wet, *do not* shine bright *light on him, do not* feed him after midnight.

These three rules are issued only to be broken, of course, well before the film's half-time. The boy (Zach Galligan) discovers that (i) his pet multiplies at the touch of water (ii) the creatures go barmy at the impact of bright light and (iii) they turn into hideous gremlins if *vouchsafed an after-hours* snack. Soon Mum (Frances Lee McCain) is gaping in horror as she stumbles upon giant slimy pods in absent Sonny's bedroom. And soon—crack, splutter!—out crawl the hideous bat-eared dragons, two feet high and with teeth like Kirk Douglas, and the town's *walpurgisnacht* is under way.

Helmer Dante (who directed *the story of the cartoon-terror*ised family in *The Twilight Zone*) and writer Chris Columbus spend the rest of the movie scratching their heads, like mad scientists with dandruff, over how to keep the gremlins busy until the last-reel showdown. Mostly their ingenuity ensures terrific momentum. We giggle happily when the monsters invade *a saloon bar and turn it* into something between Dodge City and 42nd Street (hatted gremlins poring over poker, bibulous gremlins sinking like sunsets, behind the bar counter). And we giggle even more happily when they take over a *cinema* showing Disney's *Snow White*, creating the greatest audience of subhuman weirdos *since The Muppet Show*.

The film is often in a fearful tug-of-war with itself over how *grand guignol* to go without sacrificing the kiddy trade. The most electrifying scene also happens to be the most gruesome: when Mum defends her kitchen *against* invading gremlins, scrambling one in a blender, micro-waving another and generally behaving like Fanny Cradock caught with her apron down in the Alamo. But for all the film's switchbacking tone, its vitality and perverse hilarity win the day. ET will never seem the same, nor will any of those large gift-wrapped boxes we're *going to get this* Christmas

★

Ghostbusters also takes a vertical purler into the waters of *comedy-horror*, hoping to splash us with an equal faceful of guignol and guffaws. Scene: New York. Time: Now. Bill Murray, Dan Aykroyd and Harold Ramis are the three anti-spook operatives setting up their own exorcism firm, and their first client is beauteous Sigourney Weaver whose apartment is coming apart at the psychic seams. Her fridge hosts a *tableau tirant* from Dante's Inferno, or something similar, and soon she herself is "possessed" by one of the *spirits* inside.

Will our heroes muster their wisdom, their wisecracks and their ectoplasm - trapping machines (which resemble long-tube vacuum cleaners in an advanced state of sexual excite*ment) in time to save Weaver* and the world?

Unlike *Gremlins*, *Ghost-busters* suffers from a nasty dose of diminishing returns. The pricier and pacier the Special Effects — and the film cost a princely $32m — the less the plot seems able to keep up with them. The climax atop Weaver's Gothic skyscraper block, *where stone monsters* are coming to life amid a cosmic laser-show of thunder and lightning, is spectacular but suspenseless, loud but laughless.

Far better are the early scenes of low-budget knockabout and non-sequitur in a *haunted library* ("Listin! You smell something?") or haunted hotel (with a cackling green gremlin who floats the corridors eating left-over room service). And better still is any and every scene in which Bill Murray (of *Caddyshack* and *Stripes*) is given his skew-lipped comic head. Murray's facial mugging is both sly and screwball, sleazy and scatter-brained, and his one-liners pop up with the minty freshness of a Tic-Tac dispenser. "You don't act like a scientist," puzzles the pre - possession Sigourney. "You're more like a game-show host." *Ghostbusters*, one feels, could have left out the guests, the ghosts and the gizmoes and given Murray the whole game-show.

★

It has always been my desire, when reading *A Christmas Carol*, that one of the characters should wait outside Tiny Tim's house with a small but serviceable shotgun and ensure that the poor *child obtains immediate* relief from his, and our, suffering. This does not happen in *Clive* Donner's new film of the Dickens tale, alas, and we shall probably have to wait till Sam Peckinpah films Dickens before it does.

*However, lachrymogenic sen*timent is kept splendidly at bay for most of the movie, and this is much better than *Donner's* last Dickens effort, *Oliver Twist*. George C. Scott eclipses memories of his damp Fagin with a fiery Scrooge, full of peevish wit and cantankerous pragmatism. (When told by Marley of the forthcoming *sequence of three ghosts, he* barks: "Couldn't they all come at the same time and have it over?") Edward Woodward rollickingly reads the riot act as Christmas Past, Frank Findlay comes on looking like a piece of stricken Camembert *as Marley and acts just as pun*gently, David Warner is long-leggedly and lovable as Bob Cratchit and even Anthony Walter's Tiny Tim, pert and uncloying, encourages one to have mercy and lower the shotgun.

One would raise it again, however, for *The Pope of Greenwich Village*. New York's vibrant Bohemian quarter is in *the grip of worse terrors* even than gremlins, ghosts or sentimental children. For the streets are alive with the sound of Italian-American method acting; as Mickey Rourke and Eric Roberts play the two get-rich-quick youngsters trying to safecrack their way out of the Little Italy slums, Daryl Hannah (undressed to the *nines) pleads and gurgles dis*couragement as Rourke's girlfriend, and fish-lipped Burt Young is the Mafioso fatso they accidentally and near-fatally cross.

There are raised voices, lowered blinds, screeching cars and falling bodies. There are severed digits ("The Bedbug took my thumb, man!" screams *Roberts after Young's cronies* so maim him) and split infinitives. But nowhere in Stuart Rosenberg's direction or Vincent Patrick's screenplay (based on his novel) is there a hint of real characters grittily at bay in a real environment rather than hysteria'd histrios looking for a way back to the Actors' Studio.

A Record for Hodgkin

Antony Thorncroft

The week of Impressionist and modern art sales in London ended on a strong *note yesterday* when Sotheby's sold contemporary paintings for £1,942,182, with 16 per cent unsold, mainly accounted for by a work by Francis Bacon which was bought in at £135,000.

Top price was the £145,200 paid for *Chicago 1966* by Alexander Calder. *Tete d'otage, No 24, by* Jean Fautrier made £126,500, a record for the artist, and another work, *Nu*, by the same artist fetched £79,200. A 1952 painting by Dubuffet sold for £67,100 and there was a record for Serge Poliakoff of £47,300 for *Composition* of 1957. Another record for the artist was the £41,800 which secured *Mr and Mrs Robyn Denny*, 1960, by Howard Hodgkin, sold by Robyn Denny.

In the auction of English *literature at Sotheby's a first* edition of T. E. Lawrence's "Seven Pillars of Wisdom," one of 170, made £12,650 and a long letter by Samuel Johnson to Sir Robert Chambers, £10,450. The autograph manuscript of Conan Doyle's Brigadier Gerrard story "How the brigadier rode to Minsk, realised £5,720.

A copy of *Walter Pater's* "Imaginary portraits" which Oscar Wilde re-read in prison, and with the prison stamp, was bought by a New York dealer for £3,850 and a watercolour by D. H. Lawrence, copied from Griffenvagen's "Idyll" realised £3,850.

At Christie's Partridge paid £110,160 for a Louis XV tulip-wood amaranth and marquetry table, once the property of Napoleon III, and a Louis XVI bureau plat by Reisner sold for *£86,400*.

A Doll's House/Battersea Arts

Martin Hoyle

Appropriately enough, the Actors Touring Company is presenting Ibsen's early depiction of women's emotional and therefore social lib in a former *town hall, an Edwardian froth* of arches, decorated tiles and sweeping staircases. The auditorium (and BAC boasts a cinema, art gallery, bar and cafe) is in the ante-room with "Ayes" *emblazoned firmly over* the decision-makers' doorway; and its sturdy mock-medieval barrel-vaulting and war memorials evoke a whole era of benign paternalism.

This satisfying and workmanlike production (Mark Brickman) owes much to the hugely promising Nora of Kim Hicks. Excellent voice training, exceptional in a young actress, is manifest in the warmly intense tones of the newly adult Nora finding herself and the—perfect suitable—Miss Piggy fluting of the child wife. Ms Ricks turns in a frighteningly frenzied tarantella, the situation totally beyond her and truly "dancing as if her life dependen on it," but is able to convey the shock of Nora's discovery of her idol's feet of clay with stricken dignity in incredulous stillness.

Apart from Janine Wunsche's sympathetic Mrs Linde, the rest is variable. Adrian Hough's good-looking young Torvald underplays to the point of woodenness and seems increasingly mechanical as his wife's *stature* (as with all good Noras) grows. He shares with the male members of the cast a *physical awkwardness on stage*. Christ Barne's intelligent Krogstad, the petty criminal who *finds redemption, must beware* of standing rigidly to attention, clenched fists firmly at his sides, *chin up, at moments of crisis*. This is no 19th century melodrama. Richard Nickols slightly *exaggerates dying Doctor Rank's* bonhomie and makes him a frightfully English good chap. *The* pace and tension of his flirtation with Nora flagged; more attack is needed here.

Even the over-supportive audience, with relentlessly knowing female laughter at every glimpse of Torvald's husbandly and patronising chauvinism, made the message plain: this study of *sexual attitudes is* as fresh as ever. Paul Gambrill's designs, combining hints of bourgeois stuffiness with the Nordic in a spare set easyt o tour, add to the interest of a production that always makes the expected points and sometimes goes much further.

Jack & the Beanstalk/Young Vic

B. A. Young

Scriptwriter David Holman has transferred *the traditional* plot to the Middle West, specifically to Rattle Snake Mountain, Kansas (twinned with the GLC). Jack, in a likeable performance by Gareth Kirkland, is the son of the late Sheriff, who took on no fewer than five giants single-handed, killed four, but was captured by the fifth, who has set himself to make sure that nothing ever grows on Jack's ranch. Even the one cow, Lucille, a *slender animal with pretty legs* and eyelashes, gives no milk.

Jack, who is pretty dim, gets *assistance from a woman* preacher, Sister Sue (delightfully played by Cleo Sylvestre). *She slides down from the* balcony now and then to give him supernatural help. It's mostly wasted by Jack's mum, Ermintrude (Reg Stewart), so that the cow has to go to market and is duly swopped for a bag of beans. No need to follow the story further. Once it's got to the top the bushy bean-plant (designs by Shelagh Keegan), it carries on as usual, complete with comedy routines that hardly live up to their promise. Too little mess in the kitchen, and too few jokes in the dialogue.

The giant, for some reason, is a Mexican, Don Alonso, most of whose *dirty work* is done by a lesser Mexican, Pancho, played as a stage Mexican by Andrew Secombe. The giant himself had fallen down and broken three of his ribs the night before I went, so he was played by the director, Roger Watkins, vast enough to look at, but a little short of vocal power. Ethnic minorities crop up again when Jack's landlord, Diamond Jim, turns out to be black Robert Phillips; but to neutralise any *charge of racism*, Diamond Jim has a charming daughter, played by black Joy Richardson, who *pairs off satisfactorily* with Jack at the end.

I think the show will improve when it's played itself in a little. Reg Stewart didn't attract the kids' attention enough with his song: the giant's descent down the beanstalk was hardly visible from where I sat, in this perfect auditorium: Pancho's substitution for Jack, in a trick learnt from Puck in *A Midsummer Night's Dream*, didn't really make me think that it could have deceived anyone. All the same, I found the show a lot of fun, for where the production fell short, the enthusiasm of the kids in the audience more than compensated.

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Late news of Williamsburg

THERE WAS a certain amount of excitement, in which we shared, when the Williamsburg summit of 1983 suggested that the IMF should in future take a central role in the co-ordination of national economic policies, which were already notably disjointed. However, the disjuncture has become rather worse since then, with a huge U.S. current account deficit resulting from its unchecked fiscal deficit, open and none too friendly competition for world savings, interest rates lagging still further behind the fall in world inflation, and a continuing nagging debt problem. The IMF has been fully occupied with crisis management, and the Williamsburg resolutions seemed to have sunk without trace.

On Monday, however, the Governor of the Bank of England took the occasion of his Jane Hodge memorial lecture to think aloud about these larger issues—and to remind us, by the way, that the consultations started at Williamsburg are still alive and well, if hardly urgent. Some time next year we will actually get a report, and the Governor implicitly invited the world to think a little more about the issues it must address.

His own preference, he made it clear, is not for some new Bretton Woods to reimpose order on the world monetary system, but for an evolutionary development of what we have in order to reduce the strains which produce disorder. The IMF should be encouraged to pursue its Williamsburg role—so far as governments are prepared to take its views into account—as well as acting as a sheepdog, as it were, to the commercial banks who are struggling with the widespread debt crisis. More controversially—even from the point of view of our own Chancellor of the Exchequer—it should strive to regain some control of the growth of world official reserves, and to develop a more central role for the SDR.

Stronger role

He also urged a much stronger role for a greatly enlarged World Bank, which he saw as potentially leading the flow of international equity investment in developing countries in much the same way the IMF manages the flows of bank lending. Here he was clearly speaking for the British official line, and it was good to have it so strongly developed in public. In the past, British spokesman have too often been reluctant to lay too much stress on any proposal which the Americans were likely to oppose, simply to avoid a waste of breath; but as the French have long known, it takes two to make an argument, and an argument to force a compromise.

The more speculative part of his lecture was a curious mixture of ideas whose time may be coming and ideas whose time, it might be thought, was past some years ago. The co-ordination of national economic policies still sounds visionary, but the need for it is becoming more widely understood both in Europe, where cautious steps are now being mooted to strengthen the EMS, and more notably in the U.S., where the Fed preaches about the relation between fiscal policy and trade, and the Treasury explains the relation between tax rules and interest rates.

Revival

It is still not altogether clear why the IMF—the Williamsburg candidate—should be thought a more effective body to secure progress on this front than, say, the OECD, which broods about little else; the IMF has the broader membership and already holds annual consultations with all its members, but the OECD has a wide-ranging expertise. Neither body, nor any third candidate, will have any influence (except on deficit problem cases) beyond what governments are prepared to concede, and a forum in which governments meet, rather than the IMF's separate-room approach (somewhat like the British labour arbitration service) might be more persuasive politically. The point is, though, to get the issue more actively discussed; the Governor has revived it.

Some of the other issues he revived are perhaps less urgent. The control of international liquidity in a floating-rate world is a difficult problem, and the control of official liquidity is only a small corner of it—and possibly an irrelevant one—as long as reserves are hoarded. If the Governor is trying to revive the ideas of discipline, symmetry and asset settlement which occupied the interminable thought of the old group of 20, he has set himself a hard task.

The next steps in Hong Kong

THE SMOOTH passage of the draft agreement on the future of Hong Kong through the House of Commons and the calm manner in which the people of the colony have accepted it should not lead to a feeling of complacency. The agreement may be the best that could possibly be negotiated in the circumstances and there is some justification for regarding it as a major British diplomatic achievement. Yet as the euphoria over the maintenance of Hong Kong's capitalist system for 50 years after the transfer of sovereignty to China in 1997 has died down, the doubts and fears about what has not been spelled out in the agreement have grown.

The findings of the Assessment Office, set up to test the acceptability of the agreement to the people of Hong Kong, can hardly be considered a triumphant endorsement of the agreement. The public response to an extensive advertising campaign appealing to the people of the colony to send in their opinions on the agreement elicited only 2,500 direct submissions. That, from a population of 5.5m, is a disappointing result to say the least, even though some of the submissions came from organisations with a large membership.

The two senior officials appointed to monitor the work of the Assessment Office summed up the conclusions of the study in carefully measured, if chilling terms. The majority of the people of Hong Kong accepted the agreement because they regarded re-unification with China as inevitable and because they were relieved that the terms of the agreement were as good as they were. "But the verdict of acceptance implies neither positive enthusiasm nor passive acquiescence."

Reservations

No one in Hong Kong, let alone Britain, seriously believes the agreement on the colony's future can somehow be reopened to take account of the many reservations which have been expressed. Sir Geoffrey Howe, the Foreign Secretary, underlined the reasons for this in the Commons on Wednesday. Any attempt to change specific sections of the agreement would upset the delicate balance that had been established during the negotiations, leading inevitably to the crumbling of the entire edifice. Implied in his remarks was the conviction that Peking would never accept such a procedure anyway.

Ye there are several grey areas in the agreement where room for manoeuvre still exists to allay some of the fears and satisfy some of the demands of the Honk Kong people, though it will require great patience and skilled diplomacy to achieve the desired results.

The most important proposal made by the unofficial members of Hong Kong's executive and legislative councils (UMELCO) is that the people of Hong Kong should be allowed to participate in the drafting of the Basic Law, which will be the Special Administrative Region's new constitution.

The Chinese government has made it clear that this is entirely Peking's responsibility, but the latest indications are that it has not ruled out some kind of association of Hong Kong's representatives with the drafting of the Law, be it only in a consultative capacity. For the people of Hong Kong that would provide at least some reassurance that the principles set out in the draft agreement will be respected.

Consultations

On the British side, Sir Geoffrey gave an undertaking in the Commons that Hong Kong Government officials will be included in the British delegation to the Sino-British joint liaison group, due to be set up after the ratification of the agreement.

Since such a decision could probably not have been taken without prior consultation with Peking it holds out hope that the Chinese intend to allow the Hong Kong people a somewhat greater role in the implementation of the agreement than was at first feared.

Given that prospect, it is even more important that the plans for more democratically elected institutions should be put into effect as quickly as possible, modest though they are.

Though it is often stressed that western confrontational politics are alien to the Chinese tradition, a gradual move to direct elections of the Legislative Assembly is desirable in the present situation in Hong Kong. If the people of Hong Kong are to have any say in the implementation of the Sino-British agreement, their representatives must have credibility.

INDIAN CHEMICAL TRAGEDY

The grim lessons of Bhopal

By Tony Jackson, Chemicals Correspondent

IT HAS been a nightmare fortnight for the chemicals and petrochemicals industry around the world. On November 19, a liquefied gas explosion in Mexico City cost over 450 lives. Just two weeks later, last Monday, came the even more appalling disaster at Bhopal.

The Pemex plant at Mexico City was on the fringes of one of the largest conurbations in the world. Union Carbide's Bhopal plant is some three miles from the centre of a city the size of Glasgow. In both cases—and in another gas disaster near Sao Paulo, Brazil in February—the first victims were shanty dwellers drawn to the plants as centres of wealth and employment.

But there are no grounds for pigeonholing this as a Third World problem. In Europe, the U.S. and Japan there are many thousands of potentially hazardous chemical plants. In the UK alone there are some 1,500 plants containing dangerous chemicals in large enough quantities to harm those in the surrounding area. Of those, around 250 are classed as major accident hazards. A number of them are in or near centres of population.

Plainly, one of the key questions is whether different standards of installation and maintenance obtain in the developed and developing countries. For multinationals, this poses a dilemma.

Few companies would concede the claim being put forward by

There is no prescription against panic

the Indian authorities in the Bhopal case—that standards in the Third World are lower. But to argue the converse—as Union Carbide has done—is to imply that the same could happen anywhere. Logically enough, therefore, Union Carbide has suspended its manufacture in the U.S. of methyl isocyanate, the chemical which caused the Bhopal disaster. (Methyl isocyanate is an immensely powerful irritant, which acts on the lungs to flood them with fluid so that the victim in effect drowns.)

There is another aspect to the problem. Many developing countries commissioned chemical plants in the 1970s, when they were awash either with borrowed funds or with petrodollars. In the very different conditions of the 1980s, can they afford the hard currency required for sophisticated maintenance?

The UK's Davy Corporation, one of the biggest international contractors in the field, says they can. "My experience," says a Davy executive, "is that developing countries are unusually sensitive on maintenance. Countries like India are also pretty good at it, so they only need a small number of outsiders."

One might suspect special pleading here, were it not for further evidence from an unusually objective source. Insurance companies which specialise in chemical risk worldwide, agree that there are no clear differences in premium rates on plants in developed and developing countries. "It's impossible to generalise," says one London expert. "A good company in India could get cheaper rates than a bad one in the UK."

It might be thought that some aspects of the Bhopal disaster could not be reproduced in the developed world. The plant was far too close to a major centre of population. The authorities had allowed shanty dwellers to settle round it. At the critical point of the disaster, two plant workers panicked and ran away.

But there is no prescription against panic, and operator failure is not confined to India. The problem of shanty towns, certainly, is a local one. But on the critical question of where sites are located in the first place, there is less ground for confidence.

The chemicals industry is a mature one, and the siting of plants around the world was in some cases determined 50 years ago and more. Construction of the Pemex plant in Mexico City began in the 1930s, and the plant was then remote from the city.

Of UK plants posing one of the three types of chemical hazard—flammable, toxic or ecotoxic (pollutant)—a number of older ones are now in or near large population centres. The authorities are aware of their locations and exact nature, but neither they nor the industry will publish lists. Partly, this is due to a natural concern that such plants could become targets for terrorists or vandals. But the reluctance is also part of a lack of candour which bedevils the whole topic.

Bhopal: the anguish and the grief

In fact, greater disclosure is shortly to be enforced by the EEC. In the wake of the Seveso incident in 1976, when a quantity of lethal dioxin was released in Northern Italy, a directive has been drawn up—known in shorthand form as the Seveso Directive — which is to apply to all member countries, in the UK's case probably from next month.

The UK version of the Seveso Directive—the Control of Industrial Major Accident Hazards, or CIMAH, will apply to the 250 sites which store very large quantities of dangerous substances. Among other requirements, companies concerned will have to draw up detailed hazard appraisals, and offsite emergency plans. Local authorities will have to prepare their own plans for dealing with any offsite incidents. And companies will be obliged to notify all those within reach of the plant of the exact nature of the risks.

How this is to be done will be up to the companies—by newspaper advertising, delivery of leaflets, or public meetings. But the directive is to be phased in gradually, and this particular part of it will not be mandatory until 1986.

It might seem surprising that so central a requirement should come so late in the day. But then, the other main plank of UK regulation—the Notification of Installations Handling Hazardous Substances Regulations, or Notification Regulations for short—was only brought into force in 1982.

The regulations require that all 1,500 or so plants handling dangerous chemicals in quantities large enough to have offsite effects should notify the Health and Safety Executive. The HSE then has the duty to inform local authorities and the emergency services, and also to consult with the planning authorities on the limits which should be set on new building in the area.

These regulations are, to an extent, only a codification of what was done in a less systematic way in the past. There is, though, one worrying aspect. The Notification Regulations were introduced as a response to the Flixborough disaster of 1974, which killed 28 people. The CIMAH regulations are being introduced as a response to the Seveso incident. If there is truth in the notion that for companies the spur to action is regulation, it seems equally true that for regulators the spur to action is disaster.

Indeed, it would seem that disasters can sometimes have radical effects on the attitudes of the companies themselves.

Days after the Seveso incident in 1976 the Coalite Group, sole UK manufacturer of the offending chemical trichlorophenol, closed its Bolsover plant for checks. Though nothing was found to be wrong, the plant never reopened.

But the German chemical Bayer, which makes the "Bhopal" chemical methyl isocyanate at Dormagen on the Rhine and it Antwerp, says bluntly that because of differences in the production process, a disaster like Bhopal would in its case be impossible.

The recent tragedies highlight a fundamental problem for the chemical industry — that the public has little knowledge or understanding of the dangerous chemicals in question. Few nonchemists will have heard of trichlorophenol or methyl isocyanate before the Seveso and Bhopal disasters respectively.

Neither chemical is now made in the UK. But others as lethal are, such as hydrogen cyanide. Other common chemicals lower down the toxic list are acrolein and phosgene—though the latter proved effective enough as the standard gas in World War One.

These are all used as intermediates—chemicals whose reactive power in all directions makes them very useful in binding other chemicals together. "The very chemical reactivity which makes them so useful," says Dr Peter Merriman of the Chemical Industries Association, "seems also to be what makes them so dangerous."

Not all their end-uses, though, are toxic. Methyl isocyanate is not only used for pesticides. It also goes into plastics and polymers, and may well be a constituent of objects which the consumer handles every day.

But public ignorance of their uses makes life very awkward for the manufacturers. The industry insists, with justice, that in view of the huge number of hazardous plants around the world, its safety record is remarkably good. Indeed, there

The public's attitude is a fact of life

is a good deal of bitterness in some parts of the industry over what is seen as the unfairness of the public's attitude to accidents.

Unfair or not, though, the public's attitude is a fact of life. Within the industry itself, some are arguing that the proper response to ill-informed criticism is not indignation or hurt silence, but information. Unless companies adopt a more communicative attitude to their public, tragedies such as Bhopal can only deepen the prejudice.

UNION CARBIDE'S PLANT THAT WILL NEVER RE-OPEN

A MAJOR debate about the role of foreign companies in India and about the pace of the country's technological development is likely to take place once the task of dealing with the immediate tragedy at Bhopal is over.

India is often highly critical of the level of technology it is sold by foreign companies and about the degree to which the technology is kept up to date. In turn, the companies sometimes express doubt about India's restrictions on their operations.

But the immediate concern is about precisely how the accident happened and about the wisdom of allowing a residential area to grow up around a potentially lethal installation.

The residential area started as a shanty town for construction workers when the plant was being built on the outskirts of Bhopal. As often happens in India, this developed into an uncontrolled mass of slum dwellings for large numbers of people living in overcrowded conditions. Such developments can be seen all over India and authorities are rarely successful in controling them.

There are no foreign technicians working at the plant. The last of a handful originally brought from the U.S. when the plant was being set up left a year or so ago.

India strictly controls the number of foreigners admitted to help set up technical collaborations, vetting each individual's application on a case-by-case basis. When the person involved earns more than Rs 30,000 (£2,000) a year a Minister's decision is often required.

Foreign companies often find it difficult to adapt to restrictive policies such as these and to strike an effective balance between letting Indians control joint ventures while at the same time supplying sufficient managerial advice and technical surveillance.

Union Carbide India, which is 50.9 per cent owned by its U.S. parent, started basic manufacture of pesticides based on methyl isocyanate in 1980. It began constructing the Bhopal plant about five years earlier, during which time it initially imported the finished pesticides and then progressively developed manufacturing.

Last year the Indian Government renewed the manufacturing licence for seven years on the condition that the U.S. company would provide up-to-date technology on handling emergencies.

But the plant has not been a commercial success, and competing products made by other companies have eaten into the market.

In its annual report for 1983, the company blamed imports of new products such as synthetic pyrethoids and the accumulations of stocks during drought conditions in 1982.

The State government said last night that the plant—which cost about U.S.$25m—will not be allowed to re-open. The company denies it wanted to shut it, saying rather that it intended gradually to switch away from the unsuccessful carbaryl insecticides which it sold under the Sevin brand name to other products based on the same technology.

The company is now finalising the sale of another part of its business—polyethylene chemicals—to an Indian company, Reliance Textiles of Bombay, in line with its worldwide policy of diversifying out of this product. Polyethylene makes up about 25 per cent of Union Carbide India's Rs 2,100m annual turnover.

John Elliott in New Delhi

Men and Matters

A bout to receive

A week has been a long time as a receiver for Midlands solicitor Herbert Brewer who indicated yesterday that he does not want to continue to act as Receiver in charge of the financial affairs of the NUM.

As if a rushed and unproductive trip to wintry Luxembourg in search of NUM cash was not enough, he found he had some of the pushier characters of Fleet Street and TV as travelling companions.

If the High Court judge, Mr Justice Mervyn Davies, decides today that the receivership is to continue it will pass into the capable hands of one of the City of London's top men in the trade—Michael Arnold.

Arnold is a senior partner of accountants Arthur Young McClelland Moores and company, and is the firm's director of insolvency services.

A partner since 1966 he has a considerable reputation in the twilight world of receivership. He recently handled the affairs of the Hong Kong property group Carrian Investments,

"Sorry about the delay—we're bein grepainted in the new livery before take-off"

while back at home he has been dealing with Snappies, a cling film maker, and Yorkshire Fine, a textiles company.

Arnold's colleagues see him more as a company doctor than a simple receiver. "He lixes to pull 'em round," one of them told me.

Will he be tempted to use his bedside manner on the NUM, I wonder?

Over thirty

Lord Richardson, who was closely acquainted with the intergovernmental groups of Five, Ten, and Twenty Four during his two terms as governor of the Bank of England is to take the chair of a group with even more digits to its name—the Group of Thirty.

The political firepower of all these groups can be expressed as inversely proportional to the numbers in their names. The Group of Five, for example, is the term for the meetings of the finance ministers and central bankers of the five most powerful nations, the Group of Ten includes the next five, and the Group of Twenty Four is for the less developed nations.

The Group of Thirty is quite independent of those political demarcations, although it meets to consider the same questions of international economics and monetary problems.

It was set up in 1978 with a grant from the Rockefeller Foundation to provide a forum for some very high-ranking elder statesmen and other experts. By a very loose analogy it is a sort of self-appointed House of Lords for international monetary affairs.

Lord Richardson takes over in April from Dr Johannes Witteveen, former managing director of the International Monetary Fund, who has been the group's chairman since it was founded.

And, we may have proof at last that economists can't count. The Group of Thirty actually can muster only 29 members at present.

Straight As

Lectures on investment may never command quite the same atention again from students at Richmond College, the American university in London.

Forty-eight students put their accumulated wisdom to the test by taking part in a portfolio competition, choosing five shares from the New York Stock Exchange list.

One of the less industrious students won the contest. He merely picked the first five shares listed under "A" in the stock exchange list—and outpointed the rest of the class with a 13.1 per cent profit in 11 weeks.

Legal cover

The Department of Trade and Industry is willing to make almost any sacrifice, it seems, in its anxiety to help Ian Hay Davison, chief executive of Lloyd's insurance market, prepare Lloyd's to an over-fresh condition before it moves into a new city headquarters next year.

Now the DTI's top lawyer, Bill Beckett, aged 55, who has been Solicitor to the department for the last four years, is to move into the private sector to a newly-created job as legal supremo at Lloyd's. He will be called Solicitor to the Corporation of Lloyd's.

A Mancunian, Becket practised briefly as a barrister before joining the Civil Service in 1958. He was legal secretary in the 1970s to two attorneys-general — Sam Silkin and Michael Havers. At DTI he holds the rank of deputy secretary.

At Lloyd's he will be in charge of the present legal department and will be expected to provide what one Lloyd's man described as "a new dimension in legal expertise for us."

The outsider

Is Patrick Jenkin, the man who drew the short straw in the government and has had to defend the Thatcher-inspired local government Bills to limit rate rises and abolish Britain's biggest councils, slowly but surely distancing himself from that nest of troubles?

He had yet another unhappy Commons experience this week when he opened the second reading debate on the abolition Bill—and was savaged by his own side.

The abolition of the GLC and the six metropolitan counties is such a major and contentious constitutional issue that the key first clause is to be considered in committee on the floor of the Commons next week.

The Bill then goes into a traditional Commons committee for detailed consideration. Such is its importance that a huge committee of 47 MPs has been named — 15 Labour, three Alliance, and 29 Conservatives.

But in spite of the committee's great standing, Jenkins has evidently had enough. He is not a member and thus cannot be called upon to defend even the most controversial of the Bill's clauses.

Kenneth Baker, appointed local government minister to improve presentation of these matters, will, it seems, have to cope with the lot.

Free ride

The much vaunted security precautions at this week's Dublin summit were not all they were cracked up to be.

Despite Mrs Thatcher's public congratulations to the security chief, some journalists at the summit felt far from secure. That was because one passed through all the security cordons by flashing his London Transport "All Zones" bus pass.

Observer

POLITICS TODAY

Exclusive—Sir Keith's victory

By Malcolm Rutherford

ONE OF the minor pleasures in life is to watch people being almost completely wrong in the conviction that they are absolutely right.

Sir Keith Joseph, the Secretary of State for Education and Science (don't forget the science bit), provides a perfect illustration. Sir Keith had a political triumph this week, yet many people concluded that he had suffered a humiliating defeat.

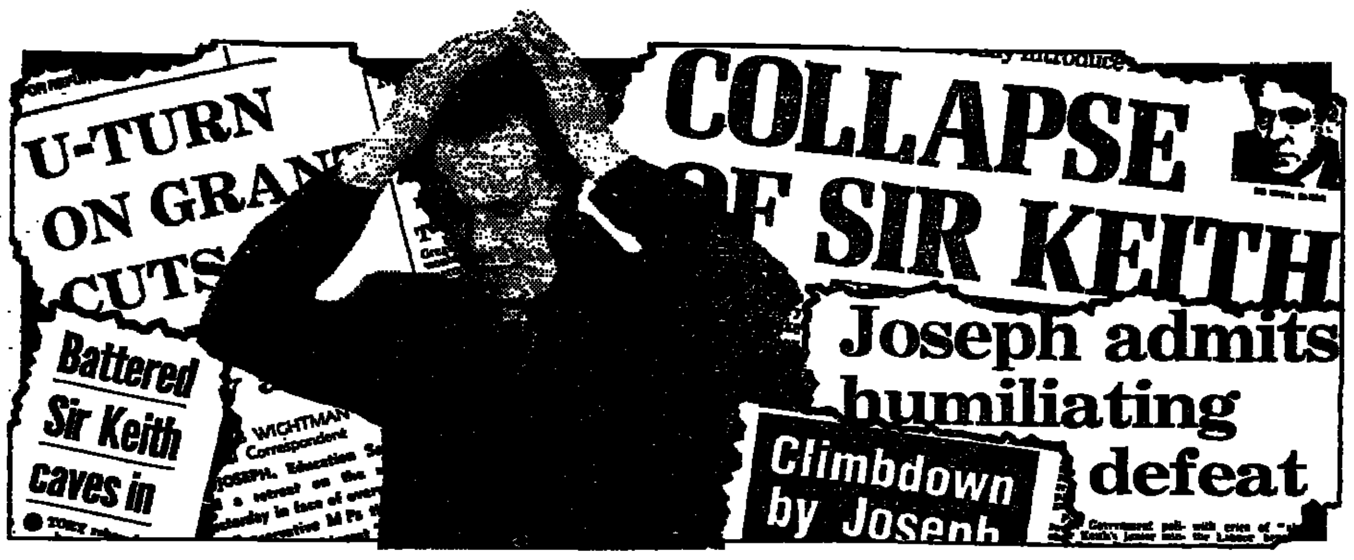
The subject was student grants. Sir Keith, Mrs Thatcher, Mr Nigel Lawson, the Chancellor of the Exchequer, perhaps the Conservative Party and possibly ultimately the country, won in three ways.

There had been an enormous row over the relatively trivial issues of whether the middle classes should pay slightly more money to finance their children in university education. Sir Keith, the Prime Minister and the Chancellor backed down. Yet the reasons why they won the argument but lost the headlines are as follows:

● One of the main problems in Parliament at present is the *overwhelming size of the* Tory majority. This is embarrassing for back-bench Tory MPs who don't have many ways of making their name. It is also potentially embarrassing for the Government because at some stage the back-benchers might rebel, if only they had a cause on which to unite.

Student grants provided a synthesis: a rebellion where some of the demands were met, but where the Government was also given the credit by many Tory MPs for partially climbing down. The episode showed that the Conservative back-benchers could have a role and that the Government would not ignore them. Most of them seemed extremely grateful as Sir Keith made his statement on Wednesday afternoon. Result: rebellion defused and at least temporarily diverted from other, bigger issues such as unemployment.

● The Labour Party was strangely quiet. One of the reasons was that it could not conceal a grudging admiration for what Sir Keith was trying to do. He was, after all, trying to put more of the burden of paying for higher education on to the better off: an aim of the left, and even centre left, down the ages.



There was, incidentally, an implicit admission in the Labour Party's behaviour that the only Parliamentary opposition to this Government that matters is likely to come from the Tory benches.

● Sir Keith did not really bak down other than tactically. He said that the proposed extra parental contribution to student fees was too sharp and had been announced at too short notice, which actually he had thought from the start. But he did not substantially give way.

What he said was that the whole business of finance for students should be placed firmly and openly on the political agenda. There will be a review of the student support system and the results might include the introduction of loans as well as grants, an idea of which the Secretary of State has long been fond.

No doubt it will achieve wider respectability simply by being aired. There is nothing fundamentally wrong with it. They do it elsewhere in other, equally civilised countries, and in some places the notion of working your way through college is second nature: the United States, for example. Hard to attack that.

So Sir Keith won. It would be foolish to claim, however, that the victory was brilliantly engineered. It was a chapter of disasters almost to the happy ending.

One point stands out here. It is the way that in the annual public expenditure reviews governments, Labour or Tory, never seem to learn. It comes down to trimming some residual amount and the result is almost always predictably controversial: like cutting foreign aid or reducing support to the British Council. It saves no money to speak of and gives governments a bad name. One would have thought that there was a method of looking at (say) the financing of British culture abroad without leaving it to the last minute of an expenditure review. Apparently not in Whitehall.

Yet perhaps in a curious way there is the beginning of a learning, even teaching, process, being led by Ministers. In a once famous, now forgotten, lecture (actually it was called the Stockton lecture before Harold Macmillan assumed the title), Sir Keith said:

"Cuts mean cuts. At present, we have learned, actual government expenditure has outrun projected by several per cent of the GNP. We shall need to cut it back by several per cent. Pseudo-cuts of future programmes will not be enough. We shall need to cut state employment and subsidies to rail, steel, housing and the supported sector."

That was in 1976. The lecture was called "Monetarism is not Enough," and the title meant what it said.

Maybe Sir Keith and his colleagues are now putting some of that message more into effect. For there is another point about the student grants affair worth noting. When Mrs Thatcher's first administration was discovered (by *The Economist*) to be looking at the future of social security benefits, the National Health Service, and their financing, the matter was promptly shelved on the express instructions of the Prime Minister.

The Government has used the row to bring the possibility of student loans into the open

Today the Government has grown wiser, or more cunning. It uses a row about student grants to bring the possibility of student loans into the open. And if the amount of money involved is not very large in the short term, the very fact of airing the subject broaches a much wider issue: what do you do about the relatively well-off middle classes, many of whom have all sorts of built-in advantages, like mortgage tax relief, access to good schools and who know how to get the best out of the Health Service?

The Government has not yet consciously raised the matter in those terms, but on the business of student grants it came very close to it. It was the Tory MPs and the Tory middle classes who rebelled (odd, how no one speaks of the knights of the shires any more), yet in the longer run it may well be that it was the relative silence of the left that was the more significant. The left was frankly surprised that here was a Tory Government attacking Tory privilege, which was exactly what Sir Keith was doing.

How much further the Government will go down this road remains to be seen. My own guess, however, is that it will seeks to become steadily more radical even at the risk of offending some of its own supporters. There are three reasons for thinking so.

● The Government has been extremely lucky with time. It won a second term very largely because of the splits in the opopsition. But time is still beginning to run out. There is quite a strong view among senior ministers that Mrs Thatcher's first term was not nearly radical enough: for instance, in implementing some of the ideas in *"Monetarism is not enough."*

True, that is because they admit that they underestimated how long it would take to turn the country round—"to arrest and then reverse the long decline," as Sir Geoffrey Howe put it in his first Budget speech.

● The second reason is partly generational. There is in the Cabinet a group of people who thought out quite carefully what they wanted to do during the period of opposition in the 1970s. Sir Keith is one of them, Mrs Thatcher another. He once said that he didn't need to talk to the Prime Minister very much because he always knew what she would think. The two go together. But they cannot survive forever and they are impatient to get on or, as Mrs Thatcher used to say, to "stir things up."

● The third reason is an awareness that for all the change and dislocation that there may seem to have been in Britain in the last few years, other countries are still doing better. West Germany may have an unemployment problem that is in some ways comparable to the British, but look at its trade surplus—nearly £2.5bn in October alone. What is more, the Germans have weathered recession without the benefits of North Sea oil.

What would have happened to Britain without those benefits is hard to imagine. Yet here we are still with problems about the exchange rate, productivity, *old industries* and competitiveness,, much as in the 1960s. On top of that there is the emergence of the newly industrialised countries.

It is not that Ministers are beginning to admit the possibility of failure. Far from it. On the contrary, there is a growing realisation that the country may have to run even faster to stay in the same place. That is why, for example, Sir Keith Joseph—a non-interventionist—goes on about the need to maintain the science budget. Other countries do. One way of doing it here might be for the middle classes to pay a little bit more for their higher education. Some Tory MPs might like to consider that longer view.

Lombard

Charisma back in vogue

By Christopher Lorenz

ALL OF a *sudden, after* a period in which "team leadership" was held by many people to be the only effective way of running large companies in today's complex, international marketplace, the virtues of individual charisma are back in vogue.

Hardly a week now goes by without some new anecdote in the media about the power of inspiring individuals to revitalise organisations which until very recently were slumbering or even comatose.

From the U.S. comes evidence of miracle-working by Lee Iacocca at Chrysler, Jack Welch at General Electric and (just maybe) Ed Acker at PanAm. In the UK, which has had more than its fair share of troubled companies, the candidates are legion. The list is headed by Lord King at British Airways, John Harvey-Jones at ICI, Christopher Hogg at Courtaulds, and Sir Michael Edwardes, formerly at BL.

Such examples certainly lend weight to the assertion by Sir Michael himself, in a controversial attack on top British management last month that many more companies need to overthrow their cosy tendency to "wallow in consensus," and should instead submit themselves to a good dose of crisp, courageous leadership. But precisely the same examples also cause one to qualify the popular conception of charismatic leadership, and to question the military model on which it tends to be based.

To cite the chairman of BA, and with him the ex-boss of BL, in the same breath as the head of Courtaulds is to contrast two very different styles of "inspirational" leadership. The first, which is the most widely recognised form of "charisma" in business, is one of iron rule, heavily laced with fear. The second is based far more on the exercise of an even-tempered, even cool, cerebral power. The ICI chairman exhibits yet another effective style, described by one admirer as "ebullient yet incisive bonhomie."

Just as there are many successful styles of individual leadership, so the effectiveness of each varies over time, and from place to place. In a *section of his remarks which went* widely unnoticed in last month's brouhaha, Edwardes argued that someone who is right for a company at one stage of its development may not be at a later stage. If he had stayed at BL for more than four years, he suggested, he would have been only a third as valuable as during his first three years there.

A less confrontational form of leadership may have a much longer life cycle, depending on the individual and the company concerned.

One of the prime causes of the misconception that business leadership essentially consists of "the great man on his white horse," is the over-reliance on military parallels. This is a particular tendency among Britons, still obsessed with the glorious exploits of Nelson, Montgomery and all their other military "greats," and all too aware—until now, at any rate—of the relative absence of role models in the British business world itself.

Top executives certainly have a lot to learn from the great military leaders. There are obvious lessons in the clarity of their objectives, in their ability to communicate them and in their admirable concern with organisational morale and training.

But the differences between the modern military and business worlds outweigh the similarities. Most businesses are continually at war, and do not enjoy the luxury of constant *practice for an occasional* battle. They do not face just one enemy, who is reasonably predictable, but several, so that response and counter-response are often all but impossible to assess.

In business, organisational structures tend to be far more complex and difficult to manage than in the military world. Above all, business leaders, be they charismatic individuals or not, continually have to create and sustain consensus about their chosen strategies and tactics. Unlike their military counterparts, they cannot take the consent of their troops for granted. Would-be business leaders have more to learn from their own kind than from their childhood heroes.

Letters to the Editor

An alternative to the dole

From Sir Richard O'Brien

Sir,—The article by Samuel Brittan on "An alternative to the dole" (December 3) is welcome. He is right to state that a "combination of unsatisfied needs and unused human labour is illogical and uneconomic (I correct what I assume to be typographical errors) as well as a social scandal."

For some time now it has been possible to mount schemes for the long term unemployed which are relatively cheap, make sense to the unemployed and result in useful work being done. The mistakes of the Job Creation Programme introduced in the mid-1970s were corrected by the Manpower Services Commission in the Community Enterprise Programme which followed it. We now have the Community Programme which everyone agrees has been a great success.

In my view the simplest thing to do now would be to expand the Community Programme from 130,000 to 500,000 places immediately; we have the projects, the know-how and the administration through the MSC to do this. As Richard Layard states in his letter (December 4) the £1.5bn which the Chancellor is considering for tax cuts should be used to finance this expansion. A precisely targeted scheme of this kind is the quickest and cheapest way to make a genuine reduction in the numbers of the long term unemployed.

If this were done, the way would be open to consider how all the long term unemployed might be taken off the dole.

The merit of Mr Brittan's article is that he brings the subject into the realm of practicalities. It would be helpful in the current state of public concern if the Government were to publish a Green Paper setting out possible alternative means, with costs, by which this objective could be achieved.

Public opinion would, I suggest, be responsive because there is increasing support for putting employment and unemployment at the top of the national agenda.

(Sir) Richard O'Brien.
24, Argyll Road, W8.

When they are bad they are horrid

From Mr A. Thomas

Sir,—I am writing following the letter from Mr A. W. Nelson (November 24), whose views I fully endorse. Any individual engaged in tax practice must have experience of the changing attitude of the Inland Revenue. This is so not only between the Inland Revenue and the taxpayer but I feel certain that, in some instances, the attitude towards accountants (and probably other professionals too) has become much more aggressive.

There must be many instances in practice where the amount of tax recovered bears no resemblance to the costs involved in collection, not only to the client but also to the Inland Revenue. If this aggressive attitude continues, and I have no reason to suspect it will not, then there must surely be grounds in certain circumstances for the Inland Revenue to bear a proportion of the client's costs.

Although the Revenue's attitude is likely to continue, I also agree with Mr Nelson that there are many reasonable Revenue officers. I was very encouraged by the fact that Mr John Isaac, a deputy chairman of the Board of Inland Revenue, earlier this year attended the members' conference of the Institute of Taxation. He spoke exceptionally well on the consultative process and, indeed, it is a welcome change that such senior Board officers are prepared to venture into the "real world" in an attempt to understand the problems of both taxpayers and accountants.

All taxpayers and their advisers can only hope that things get better but there is every likelihood that, as fewer and fewer people are paying taxation of one sort or another, the problems could conceivably become much worse.

Anthony D. Thomas.
26, Waring Way, Dunchurch, Nr Rugby, Warwicks.

Two bond markets

From the Chief Bond Economist, Simon and Coates

Sir,—I was most interested in Mr Stephen Lewis' comment on the gilt-edged market "Yields pattern set to change again" (December 3). While I would agree with his view that the relative yield structure between the U.S. Treasury bond market and the UK gilt market is chiefly affected by budget deficits and inflation in the two countries, he appears to have neglected the importance of the present relative position of the two markets. I would suggest that it is generally difficult to know where to go if one has not established where one is.

Empirical evidence indicates that the yield spread between the two bond markets is chiefly determined by the two countries' current inflation rates, the current and previous years' budget deficits (as a share of national product) and movements in the exchange rate. Using generally expected values for these factors for 1985, the equilibrium value for the 20 year yield spread in the two markets would be about 165 basis points. The statistical properties of such an equation suggest that the actual yield spread would fall within the range of 105-225 basis points most of the time. So the present position (at 130 basis points) would indicate that gilts are cheap relative to their Treasury counterparts. Such a situation would indicate outperformance by gilt-edged securities relative to U.S. Treasury bonds rather than underperformance (as Mr Lewis has suggested).

If Mr Lewis was concentrating on a very long term assessment—and perhaps his comment about deficits in 1988 indicates this to be the case—then he seems to be taking a lot for granted regarding the ability of the U.S. President and his Congressional counterparts to come to some agreement over the nature of any deficit cutting package. What is clear is that the present $200bn deficit will take a long time to whittle away—particularly given Mr Reagan's dislike of increasing taxes. Cuts will need to fall on the spending side and we know how difficult this has been to accomplish here in the UK. In the meantime, the U.S. Treasury will continue to be a major borrower in the markets and the relative performance of gilt and Treasury markets will be affected accordingly.

On present fundamentals, the UK gilt market is cheap relative to U.S. Treasury issues. On future fundamentals—well . . . in the long run, U.S. Treasury issues could be cheap, but that is taking a lot on trust. In the meantime, the six foot man drowns in the stream that has an average depth of three feet.

Michael H. Jankowski.
1, London Wall Buildings, EC2.

University fees

From Mr T. French

Sir,—Mr Ball (December 1) clearly represents a fairly widespread strand of thinking in the country, but it is one which needs to be countered. If Mr Ball would change to a Fascist/Socialist society, he will certainly get these charges cancelled. But he will also have to put up with many other horrendous changes which he will like very much less. If he wants Conservatism he must accept one of the basic tenets of Conservatism—that the strong look after themselves and also help to look after the weak.

I look back to my own youth—no grants available then—when my parents paid every penny of my university education. They never owned a car or went on Continental holidays, but I don't think that they ever felt deprived or begrudged the money they spent.

Those who believe in Conservatism must accept that no worth-while system can please all the people all the time, and that in a Conservative society Government (ie taxpayers) money is not unlimited.

T. W. French.
8, Water End, Clifton, York.

Resolving a paradox

From Mr M. Nisbet

Sir,—The latest National Institute of Economic and Social Research review of the British economy (November 29) highlights an apparent contradiction on wages—namely, that Britain is already a "cheap labour" economy and yet the Chancellor's strategy is based on containing further real wage growth.

The resolution of this paradox is sharply revealed in the following stark description of the British economy as one where "we pay 5 men, 4 men's wages, to do 3 men's work." Thus overmanning (5:3) coexists with low pay (4:5), producing high unit labour costs (4:3).

The Chancellor hopes to reduce unit labour costs by lowering wages—so we can pay 4 men 3 men's wages to do 3 men's work (the fifth is unemployed). He won't succeed because under this approach low pay (3:4) and unemployment persist.

It is management's responsibility to increase productivity—so we can pay 4 men 4 men's wages for 4 days work—to regain market share, expand output and bring the fifth person back into employment.

M. Nisbet.
57-59, Gloucester Place, W1.

A symbol on a cheque

From Mr M. Wookey

Sir,—I wonder if I might draw the clearing banks' attention to a small irritant which could be simply remedied.

Some cheques require two signatures before they can be met, but occasionally, by design or oversight, one is omitted, causing inconvenience to the payee. May I suggest that all cheques requiring two signatures drawn on any bank are marked with a distinctive symbol and then we shall all know, and can act accordingly.

Michael J. Wookey.
Colebrook, Evans and McKenzie,
5, Quality Court, Chancery Lane, WC2.

FINANCIAL TIMES
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FIERCE OPPOSITION LIKELY TO U.S. SPENDING CUTS

Reagan faces battle over budget

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan has successfully seized the political initiative with his decision to demand from his cabinet draconian cuts in the Federal Government's spending in order to try to reduce the projected federal budget deficit from $224bn to $100bn by 1988.

As details surface, however, it is clear that the cuts proposed by the White House will run into fierce opposition from both Congress and from interest groups who can see the flow of federal dollars slowing and in some cases drying up.

The most eye-catching of the President's proposals is the call for some 2.1m civilian government employees to take a 5 per cent pay cut in the fiscal 1986 budget period which begins in October 1985.

The planning process, in which the White House has been engaged since the President was re-elected in November, relates to the 1986 budget and reyond.

The Presidents, list of cuts includes the halting of new loans by the Export-Import Bank, which provides government finance to support U.S. exports, eliminating federal aid for urban mass transit, including subsidies to Amtrak, the federally-supported passenger rail system, tightening federal funding of the Medicare health programme for the old and Medicaid, health care for the poor, terminating library grants and cutting child nutrition programmes.

The powerful interest groups threatened by these cuts include farmers, in particular the dairy industry which is facing the elimination of federal support, and western state officials, who are facing presidential demands for reductions in government subsidies for electric power generation.

The burden to be born by the Defence Department is yet to be decided, but preliminary indications are that, when he meets Mr Reagan next week, Defence Secretary Caspar Weinberger will be asked to find cuts in planned defence spending of $8bn in 1986 rising to $30bn in 1988.

Mr Reagan is exerting the maximum pressure on his officials to meet the overall budget targets he is aiming for by taking the initiative himself early in the budget planning process within the Administration and personally supervising the cuts now being proposed to government departments. Whether all the spending reductions now being examined will actually appear in the budget proposal he puts to Congress next month remains in doubt.

The question is, however, how will Congress, which actually makes the spending decisions and which has virtually ignored the past two presidential budget proposals, respond.

Even Republican leaders, such as Mr Robert Dole, the new Senate majority leader, are perceived to be sceptical about reaching the President's ambitious budget savings solely through spending cuts – cuts, moreover, which leave the expensive social security system unscathed. A balanced programme of tax increases and spending cuts, and perhaps one with less ambitious targets than those Mr Reagan is suggesting, is seen by some budget experts on Capitol Hill as a more realistic outcome.

For the time being, however, criticism of Mr Reagan is muted. Democratic leaders are reportedly anxious to avoid attacking head on the President's plans so soon after his sweeping electoral victory. Mr Thomas P. O'Neill, the Democratic speaker of the House of Representatives, said earlier this week that Democrats would be "constructive and open to compromise" but added that Mr Reagan would have to ask for support if he wanted it.

There is also the overriding question of the economic outlook. Partly because of slow growth in the second half of this year, the White House has already had to add about $40bn to its deficit projections for 1985.

The projections for 1986 and beyond are no less sensitive to the economic growth, inflation and interest-rate assumptions the Administration is basing them on. Many economists maintain that those assumptions, which are not being revised, are too optimistic.

Purist and realist set to clash at Greens' conference

By Robert Cornwell in Bonn

A MIGHTY, and probably venomous, argument over future power-sharing with the conventional Social Democrat (SPD) opposition is likely to overshadow all else at this weekend's party conference of the radical left-wing Greens which opens today in Hamburg.

Given the fissiparous nature of the Greens, there is no guarantee that the dispute will be conclusively settled. Few, however, doubt that the gathering is the most important in the five years' history of their movement.

Despite the series of quarrels which have split Green ranks over the last 12 months, every election during the period has seen the party increase its strength, whether in the European Parliament, regional governments or in town halls throughout the country.

These successes, however, and the simultaneous collapse of the liberal Free Democrats, are relentlessly intensifying pressure on the Greens to define their attitude to real political power – in other words, whether they are ready to join forces with the SPD to allow left-wing governments to be formed, both locally and conceivably at national level, after the next Bundestag election in February 1987.

In that sense, the conference is something of a watershed, as opinion polls give the party consistently up to 10 per cent (in some cases even more) of the popular vote.

It comes in the wake of the confused withdrawal of the Greens from a pioneering collaboration agreement with the SPD in the state of Hesse, which had been ratified only five months before. The break-up over the crucial issue of the development of the local nuclear industry has left even left-wing Social Democrats warier than ever about entering into such alliances.

An identical dilemma may well arise next year in both the Saarland and West Germany's most populous and industrial state, North Rhine Westphalia, where elections are to be held in the spring. In both cases, polls suggest, the choice may lie between no working majority government at all and an uncomfortable "Red-Green" compromise.

The divisions within Green ranks, between fundamentalists and purists against all power-sharing and pragmatists who believe coalition offers the only chance of Green policies, however imperfectly, being translated into reality, are reflected in two contrasting keynote motions to go before the 800 delegates in Hamburg.

The aspirations of the purists are set out in a motion submitted by the national executive. Describing the Greens as "the only opposition," it says all co-operation with the SPD or other parties would be "self-destructive."

The realists, a minority at the party's summit but including the most successful Green parliamentarians, want a gradualist course of "ecological reforms."

Profits at Hanson Trust soar 86%

By Ray Maughan in London

HANSON TRUST, the diversified UK conglomerate which makes batteries, bricks and boots amid a wide spread of manufacturing interests on both sides of the Atlantic, made the most of its two big acquisitions in 1984 and pushed profits, announced yesterday, up by 86 per cent to a peak £169.1m ($204m).

Profits include a seven-month contribution from London Brick, acquired for £247m after a long battle, and five months from U.S. Industries, the North American conglomerate which, at a cost of the equivalent of £384m, is Hanson's largest acquisition to date.

Each contributed some £10m after financing charges, and the effect of translating strong dollar earnings into sterling was estimated to have been worth almost another £10m.

Earnings rose 70 per cent to 19.2p a share, the dividend has been increased by 50 per cent to 5p a share and worldwide employment expanded by 17,000 to 67,000 in the year to September 30.

London Brick, which had been forecasting annual profits of £36m at the height of its defence, made £19.8m but cannot meet buoyant demand.

One of the most striking advances was achieved at British Ever Ready, acquired after somewhat less of a struggle at the beginning of 1983. Despite a £13m drop in turnover, the effect of lower overheads and increased productivity was a profit increase from £20.5m to £31.9m.

Hanson's shares rose 11p to 278p, just 4p below the all-time peak.

See Lex, this page; Details, Page 24; Stock markets, Section III

Japan will restrict steel exports to U.S. to 5.8% market share

BY ROBERT COTTRELL IN TOKYO

JAPAN's Ministry of International Trade and Industry (Miti) said in Tokyo yesterday that its negotiators in Washington had agreed to restrain Japan's steel exports to the U.S. next year to a maximum 5.8 per cent market share in six of the main categories.

The basic agreement with Japan is the first to be reached by the U.S. in a series of bilateral negotiations with important steel exporting countries.

A Miti official said that no agreement had yet been reached on how long the restraint should remain in force. The U.S., he said, was still asking for five years, which Japan considered as too long.

Steel industry spokesmen believe the Miti negotiators want just one year of restraint, but the Miti official said Japan was not at present making a counter-proposal on duration.

Japanese and U.S. negotiators now plan to hold further discussions on how the overall restraint level will be reflected – in particular, categories of steel product will be discussed.

Japan took an average 6.3 per cent of the U.S. steel market in the 10 years to 1983. In the first 10 months of this year, shipments of Japanese steel to the U.S. rose 73 per cent to 5.636m tons, equivalent to a 6.7 per cent market share.

Japan's steel industry and government negotiators originally argued for the 6.3 per cent level to be fixed as the new ceiling but apparently decided to compromise late on Wednesday night.

The acceptance of a 5.8 per cent ceiling meant a very large cutback for Japan, the Miti official said, but he did not expect it to result in any plant closures.

A spokesman for one of Japan's largest integrated steelmakers said that the restraint would increase the Japanese steel industry's overheads.

This was because newly-surplus workers would have to be reabsorbed into other jobs. Big Japanese companies merely lay off workers, even in periods of extreme recession or financial difficulty.

Mr Yutaka Takeda, chairman of the Japan Steel Industry Associatoin and president of Nippon Steel, the world's largest steelmaker, said yesterday that some form of restraint agreement had to be reached

AP reports from New York: The U.S. Court of International Trade has denied a petition from U.S. importers to lift a U.S. embargo on steel pipe and tube purchases from the European Economic Community, according to the American Institute for Imported Steel, which is composed of 70 leading steel importers into the U.S. It may appeal against the ruling.

U.S. business shifts stance on free trade, Page 4

IEA forecasts sharp fall in commercial oil stock levels

BY RICHARD JOHNS IN LONDON

COMMERCIAL OIL stocks in industrialised countries may fall to the equivalent of only 71 days forward consumption by the start of 1985, the lowest level for six years, according to the latest projections of the International Energy Agency (IEA).

In its latest monthly oil market report the IEA puts the likely level of the draw-down by companies during the current quarter at 1.1m barrels a day.

The figures indicate that the rundown in company stocks – the lowest level since the second great oil price escalation began – was substantially greater last month than "excess" production by the Organisation of Petroleum Exporting Countries (Opec).

The IEA calculates Opec output at approximately 16.8m b/d in November compared with the new reduced ceiling of 16m b/d supposed to be observed as a result of the agreement reached at its last ministerial conference. The report stresses, however, that there is "still considerable uncertainty regarding actual output for this month."

Lower commercial stocks should be partially offset by a rise of those held by governments of 300,000 b/d, according to the IEA, but the increase would have been almost completely accounted for by the U.S. and Japan.

Total stocks on land in the OECD (Organisation for Economic Co-operation and Development) area at the start of 1985 look as if they will be the equivalent of 90 days' forward consumption but marginally lower at 89 days in West Europe, says the IEA.

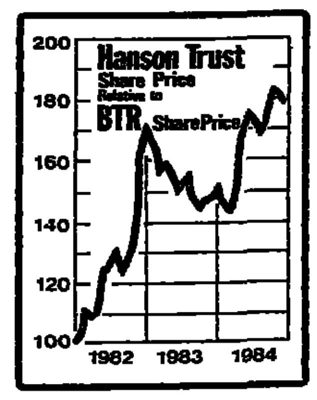
THE LEX COLUMN

Hanson repays the trust

Hanson Trust and BTR share an uncanny ability to spirit ever higher returns out of basic and often declining industries. The approach of middle age – Hanson is now in its 21st year – has not slowed the company down a jot. At the end of a year which saw two lion-sized acquisitions, the group has reported an increase in earnings per share of 70 per cent, almost matched by a 50 per cent increase in the total dividend.

Taken as a whole, the preliminary figures are a knock-out. Pre-tax profits rose 86 per cent to £169.1m during the year to September with the improvement spread evenly across the divisions. After taking account of perhaps £10m of translation benefits from the U.S. operations, the UK comes out ahead on points. Every one of the five British divisions has improved its return on sales, with Hanson's low-tech forays into bricks and batteries proving the best of the bunch. Trading returns from British Ever Ready have leapt from 12.3 to 20.8 per cent – and the cash flow cannot be bad either.

Margins are slightly less glamorous across the Atlantic, but the U.S. Industries acquisition is bedding down well, and overall the group's returns are high enough to leave the interest charge four times covered in spite of a net debt load which, on the most conservative reckoning, represents about 140 per cent of shareholders' funds. That ratio leaves Hanson's boast of £450m in liquid assets looking pretty senseless in financial terms, but this is hardly the point. The group is presumably preparing itself for another takeover, and even if the cash is weak, the shares are willing. After a prodigious run, they were trading last night at 278p, equivalent to about 11 times likely undiluted earnings in the current year.



Believers in the anticipatory power of markets will infer that BOC's prospects are no longer seen in a particularly rosy light. If so – given BOC's heavy U.S. investment – the high dollar must be as much to blame as fear of a U.S. recession. The exchange rate has demolished prices in BOC's carbon electrode market, while choking off some of its medical equipment exports from the U.S. to Latin America. And that has left the once glossy U.S. health care division looking about as tarnished as the rest of the sector.

All the same, it is hard to be very pessimistic about the current year. The loss-making parts of BOC's welding business have gone, and there will be other gains from rationalisations paid for above the line in 1984. It only needs average growth in gas volumes – at constant pressure – to see earnings rise by perhaps 20 per cent. On a philistine historic cost basis, BOC thus trades on a multiple of about eight; not too high, until it is remembered that on the same basis, BOC's balance sheet is about 80 per cent geared – as always.

BOC

This time last year BOC could do no wrong, for despite a patchy set of figures for 1983 the outlook was extremely encouraging. So it must be a bit galling for the company to have performed close to expectation – a 44 per cent increase in pre-tax profits to £137.8m for the year to September – against the backcloth of a drifting share price. Down 3p to 252p yesterday, BOC's shares have trailed the market this year by something over 30 per cent.

Bass

Bass is showing fairly clean heels to its rivals among the brewing majors, turning in the sort of pre-tax profits growth that leaves Allied standing and Whitbread some way behind. To have achieved volume growth in beer sales of 3-4 per cent in a flat market is quite something, especially as Bass has been notably sniffy about discounting in the take-home trade.It may have been Bass's traditional dour presentation of its results for the year to September – or more probably, the lower than expected profits from property sales – that knocked the share about, but it recovered to close 8p up at 435p.

Bass never appeared completely sold on its plan to draw a quarter of its profits from something other than beer; now, it is going in the opposite direction. The leisure business put in only 15 per cent of trading profits, with the miners' strike not helping overcapacity at holiday camps and Corals paying out on too many favoured racing winners during the summer. But complaints that Bass is still too "pure" a brewer sound a bit thin as long as it continues to squeeze an extra percentage point in trading margin out of beer each year; while, with cash slopping around the balance sheet and a pint-sized net debt/equity ratio, Bass can certainly make a major acquisition on the leisure side once it loses some of its fastidiousness (or forgets the teething troubles at Corals).

The share leaves Bass on a p/e of 9.8 at tax of 33.6 per cent. This does not seem opulent, even given the run-up in the price in the period before yesterday's results.

Ferranti

Yesterday's interim results from Ferranti, showing pre-tax profits up 25 per cent to £18.5m, could not have been less of a bombshell; indeed, a falling market managed to nudge the shares down 3p to close at 178p. For the half-year to end-September, all divisions contributed strongly, with electronics in particular showing a lot more fizz.

Ferranti has consistently matched market expectations over the last five years and 1984-85 looks likely to prove no exception. Order books are robust – up over 25 per cent on the same time last year – and the company has been fine-tuning its operations by selling loss-makers, including Spectrum Ceramics.

The only cloud on the horizon is the threat of cuts in UK defence spending. Ministry of Defence contracts now take a 40 per cent bite out of Ferranti's production, and the company may need to expand its civil and overseas business to reduce that reliance. But the market still takes a sanguine view of Ferranti's future; assuming £49m for the year and a 32 per cent tax take, the shares stand on a multiple of over 23.

CD plan hits French bonds

Continued from Page 1

ket. That led to the deluge of sell orders that also depressed the Paris stock market, where prices fell by 1.4 per cent.

French officials confirmed that the new CDs would have maturities of three months and six months and would be issued in units of at least FFr 1m or more. The CDs will also be issued either in francs or in foreign currency.

The fiscal treatment of the CDs will also be less favourable than the existing tax regime for the existing Treasury Bill mutual funds. The Government hopes in that way to help to calm the mutual fund market's worries over the introduction of CDs.

India to speed compensation claim

Continued from Page 1

prove communications between the Indian plant and the parent company.

The company said that the talks would focus on what aid Union Carbide can offer, but may also cover other areas such as the question of compensation for the victims and their families.

The repercussions of the accident are beginning to be felt throughout the U.S. chemicals industry and on Wall Street. Union Carbide's shares continued to plunge in New York yesterday, dropping a further $5⅛ to $39 in early trading with more than 3m shares changing hands by lunchtime. Since the disaster, the company's stock has dropped almost $10, wiping out more than $740m of its market capitalisation.

Yesterday Moody's, one of the main U.S. rating agencies, disclosed that it was reviewing Union Carbide's debt ratings for possible downgrading. Moody's said: "The recent pesticide plant accident in India could create a material financial liability for Carbide, given the magnitude of the disaster."

Union Carbide, however, yesterday repeated its assertion that its insurance coverage was "sufficient" to cover any possible claims. Moreover, the company's financial structure was not jeopardised, it added.

The company took the highly unusual step of denying that it might face financial difficulties and be forced to file for Chapter 11 U.S. bankruptcy code protection as a result of the disaster. The company said its financial structure "is not threatened in any way" and said it "categorically denies that it is considering seeking protection under the bankruptcy laws."

In separate developments, some of which emerged at the company's now daily press conference, the company confirmed that the equipment installed at the Bhopal plant was made in the U.S. to Union Carbide's specifications by an unidentified U.S. manufacturer.

The company also repeated that the equipment installed in the Indian plant, and the safety procedures followed, are virtually identical to those at its now closed plant in West Virginia.

Mr Browning, responding to press inquiries, also confirmed for the first time that five plant managers had been placed under "house arrest" by the Indian authorities.

Spanish bank in Pta 26bn debt provision

By Robert Graham in Madrid

BANCO Hispano-Americano, the third largest Spanish banking group, has decided to pass its 1984 dividend and set aside Pta 26bn ($152m) to cover bad and doubtful debts.

This was in order to consolidate its financial position after merging last year, with Urquijo, the troubled industrial bank, an official from the bank said last night. Last year's debt provision was Pta 17.5bn.

This is the first time that one of the big seven Spanish banks has not paid a dividend since Spain's economic boom began in the 1950s. Although the decision was made known last night after a board meeting, rumours of Hispano's move had caused heavy selling of its shares on the stock market.

Talks are continuing with the Bank of Spain on additional aid to Urquijo, which has now merged with Hispano's other industrial acquisition, Bankunion.

At one stage it was thought the authorities might try to provide assistance to avoid Hispano passing over the dividend, but both the bank and the authorities appear to have preferred to opt for a clear-cut demonstration of Hispano's clean-up.

Nevertheless, the Spanish investor has long been accustomed to the idea of banks paying out healthy dividends, and the move is certain to come as a shock.

Last year, Hispano recorded pre-tax profits of Pta 13.8bn

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
[illegible]															

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail S-Sun Sl-Sleet Sn-Snow T-Thunder

Spot link for UK oil

Continued from Page 1

ernment, BNOC had decided to maintain its official price, in spite of heavy trading losses, in the hope that the spot market weakness would prove temporary.

"You cannot stand in the way of the market, but you can perhaps give the market a possibility to pause for breath," he said. A letter from Mr Alick Buchanan-Smith, energy minister to oil companies asking them not to put pressure on BNOC around the same time was part of the same strategy, he added.

Mr Goskirk defended the action as being, arguably, in the national interest, but said that it was now necessary to bring supplier and customer prices back into balance.

The decision to cut official prices in October was the first step in this process of adjustment, but there would have to be others.

Mr Goskirk, however, was careful not to give any support to ideas circulating in Whitehall, which has launched its own review of BNOC, that the corporation should be cut down to size, in order to reduce its influence in the market and Britain's high profile in the world oil market.

He said that to have any effect upon the market, BNOC needed a substantial volume of oil

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SECTION II – INTERNATIONAL COMPANIES
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North American Car files for Chapter 11 with $813m debt

BY WILLIAM HALL IN NEW YORK

NORTH AMERICAN Car, the third biggest railcar leasing company in the U.S., has filed for protection under Chapter 11 of the bankruptcy code. It owes domestic and foreign banks and its institutional lenders $813m.

Mr Michael Feder, North American's president, said yesterday that the company sought the protection of the court after failing to reach agreement with its principal bank and institutional lenders on a voluntary restructuring of its debt obligations.

North American had been hoping to reach a standstill agreement with its bankers to prevent them calling in a $132m loan immediately payable. The company had already restructured its bank debt once and had defaulted on its loans.

North American is a wholly owned indirect subsidiary of Tiger International, a transport group, and has been treated for accounting purposes as a discontinued operation since December 1983. Tiger has said that it might have to write off its $132m investment as a result of a revaluation of the liquidation value of the North American fleet and the resolution of the negotiations to restructure its debt.

Tiger said yesterday that the bankruptcy filing of North American increases the likelihood that a significant amount of this investment will be written off at the end of the year. Tiger International lost $222.8m in 1983 but returned to profit in the current year.

Aside from bank borrowings of $288m, North American owes $350m to various insurance companies and $100m to other institutional lenders.

Cincinnati Milacron buys UK engineer

BY ANDREW TAYLOR IN LONDON

CINCINNATI Milacron of the U.S., the world's largest machine tool manufacturer, has bought LK Tool, a small private UK company which has grown in 20 years into one of the world's leading suppliers of co-ordinated measuring equipment.

Mr James Geier, Milacron chairman, said in London yesterday that LK Tool's highly sophisticated measuring equipment used in the manufacture of large components like car bodies and aircraft wings filled an important gap in the U.S. group's armoury.

He said Milacron's future depended upon sustaining its lead in developing integrated manufacturing systems. Previously the U.S. group had been unable to supply its own measuring equipment.

Mr Geier said Milacron normally preferred to develop its own technology but was particularly impressed by the quality of software developed for LK's computer-controlled machines.

Mr Norman Key, who will remain president of LK, started the company with his wife in 1963. His first job had been to make tools for the woodworking industry.

Sales by LK in the 12 months to April 1985 are expected to be about $20m, of which about $17m is expected to be generated by U.S. sales. In 1982-83 group sales totalled only $8m, of which about $1m was generated in the U.S.

LK, which has an assembly plant employing 100 in the British Midlands, says its link with Milacron could push sales up to around $30m next year.

Canadian Imperial's earnings fall back

By Bernard Simon in Toronto

CANADIAN IMPERIAL Bank of Commerce (CIBC) suffered a decline in earnings to C$282.4m (S217m), or C$4.68 a share, in the year to October 31, from C$314.9m, or C$6.23 a share, a year earlier.

Like the other four big Canadian banks which have published results in the last two weeks, CIBC's performance was blunted by narrower interest margins and an increase in loan loss provisions. Actual loan losses dropped from C$722m to C$500, but provisions – which are determined by a five year averaging formula – rose from C$381m in fiscal 1983 to C$431m.

All five banks posted a decline in per share earnings in fiscal 1984, with CIBC and Bank of Nova Scotia taking the hardest knocks. BNS's net income fell by 22 per cent.

CIBC's assets totalled C$68.1bn on October 31, virtually unchanged from a year earlier. Return on assets slipped from 0.46 per cent to 0.41 per cent, the lowest of the five Canadian banks.

The best performer, Toronto Dominion Bank, raised its return on assets from 0.74 per cent to 0.80 per cent.

Mr Donald Fullerton, CIBC's president, said: "We are encouraged by the improvement shown in each of the past two quarters". The fourth-quarter return on assets was 0.51 per cent.

Analysts forecast that an expected decline in interest rates will substantially improve the banks' results in 1985, especially the Bank of Nova Scotia, which has the highest exposure to consumer business.

Mr Terry Shaunessy, of investment dealer Gardner Watson, estimates that the five banks' loan losses will remain at roughly this year's level of C$1.8bn in 1985.

Paul Taylor looks at a U.S. rail group's attempt to avoid privatisation

Conrail sell-off rolls into trouble

MR STANLEY CRANE has spent the past three years putting Consolidated Rail (Conrail) back on the tracks. For the past six months, however, the Conrail chairman and chief executive has been trying to de-rail the U.S. Transportation Department's plan to sell the state-owned railroad to a private sector corporate buyer.

The unprecedented battle between the Conrail management and its biggest shareholder, the U.S. Government, is coming to a head.

At meetings in Philadelphia and Harrisburg, Mr Crane, aged 68, and Mr Robert Platt, Conrail's chief financial officer, made the battle public. The Conrail management has begun to criticise openly the U.S. Transportation Department's plan at congressional-style hearings organised by Republican senators who favour a British Telecom-style public offering.

The U.S. Transportation Department wants to sell the once financially crippled East Coast Railroad, which was formed in 1976 out of the rubble of Penn Central and six other bankrupt railroads, to a corporate bidder.

From a list of 14 bidders drawn up in June, Transportation Secretary Mrs Elizabeth Dole has narrowed the field to three: Alleghany, an investor group led by Mr William Marriott Jnr and Norfolk Southern. All three are offering about $1.2bn for Conrail.

Mr Crane, Conrail's management, the rail unions and a growing number of congressmen have other plans, however.

Conrail's management began its opposition to the sell-off plan quietly but has become increasingly vociferous as the Government's self-imposed year-end deadline for a decision has come closer.

The management has recently:

● Openly criticised any sell-off plan that would lead to Conrail losing its independence.
● Started an extensive lobbying campaign in Washington and among Conrail's shipping customers.
● Employed Morgan Stanley, a blue chip Wall Street investment bank, to advise it on alternatives and the feasibility of a public offering.
● Offered to reinstate the substantial wage concessions made by the unions.
● Offered to start paying state taxes of $25m or more a year in those states where Contrail operates.
● Proposed its own plan which would provide the U.S. Government with $1.4bn in cash funded by a $500m public offering, $600m from bank loans and $300m from its own growing cash coffers.

To most outsiders Mr Crane's actions and those of the Conrail management look like a barely-disguised and audacious attempt to thwart Mrs Dole and the Transport Department's plan for a quick sale.

Whatever the nature and motives of the attack it has already succeeded in catching public and congressional attention. It has also apparently attracted the wrath of Mrs Dole.

The Transportation Secretary wrote to Conrail's board pointedly asking whether it had authorised the retention of Morgan Stanley as advisery. The board has yet to reply, but Mr Crane made it clear that he considers he has done nothing wrong. "All I asked them to do was to consider financial options," he says.

The campaign has already created an odd set of allies and pitted natural allies against each other. Conrail's management and its rail unions – often adversaries – seem increasingly close.

In contrast, the question of price, and the form the privatisation should take, appears to have divided Wall Street.

Merrill Lynch representatives, speaking on behalf of Alleghany at the Philadelphia meeting, seriously challenged the long-term financial stability of Conrail despite its projected $500m profit this year. They implied that the Kirby family, which owns a large slice of Alleghany stock, had bid $1.2bn only because of chairman Mr Fred Kirby's "deep desire to get back into railroads."

Perhaps more significantly, they and Mr John Riley, a Transport Department federal railroad administrator, question whether the Government could obtain from a partial or full public offering the same sort of tough commitments made by corporate bidders. Among the conditions imposed on Alleghany the company has agreed to limit dividends taken from Conrail for five years, to maintain capital spending at up to $500m a year and to retain services "where economically justifiable."

In contrast, Morgan Stanley, retained as adviser by Conrail's management, and others have suggested that the $1.2bn price tag is an undervaluation.

Mr Tom Saunders of Morgan Stanley said the investment bank had valued Conrail at $1.6bn to $1.7bn earlier this year. He suggested that a fair price might be much higher.

Mrs Mary Desapio, of Cardinal Capital Transportation, a railroad securities analyst, went further, suggesting that Conrail could fetch "up to $3bn" at a public offering.

Although price is a crucial factor for Congress which ultimately must decide the issue, jobs, services and the future management structure of Conrail are becoming key factors.

Mr Robert Scarbelletti, general chairman of the Brotherhood of Railway, Airline and Steamship Clerks, told the Philadelphia meeting that his union believed a viable Conrail could best be ensured "by a public offering, retaining the existing management."

Mr Crane has also achieved something of a folk-hero reputation.

He has overseen a massive trimming of the Conrail workforce – from 100,000 to 40,000 since he took over in 1981 – and he has pulled the railroad from the brink of collapse to healthy profits. In the first nine months of this year Conrail's net earnings more than doubled to $411m on revenues of $2.59bn. Three years ago, the year that Mr Crane became chairman, the railroad edged into the black for the first time with net earnings of $39.2m.

Currency moves lift Aegon's performance

BY LAURA RAUN IN AMSTERDAM

AEGON, the second-largest Dutch insurance company increased its profit to Fl 200 million for the first nine months, compared with Fl 173m ($50m) in the comparable period of 1983.

Earnings rose to Fl 13.14 a share from Fl 13.11, adjusted for a 7 per cent increase in the number of shares outstanding. Gross receipts increased by 17 per cent to Fl 7.3bn bolstered by favourable currency movements.

Aegon, which was formed last year by the merger of the Dutch insurance companies Ennia and Ago, repeated, its forecast, that profit and gross receipts for 1984 would exceed those of last year. The Hague-based insurer reported earnings of Fl 228m on gross receipts of Fl 8.46bn in 1983.

In the general insurance sector, which accounts for a third of overall operations, gross receipts rose 14 per cent, while the pre-tax loss narrowed to Fl 4m from Fl 6m in the comparable period of 1983.

Firestone slides in quarter

BY OUR FINANCIAL STAFF

FIRESTONE, the world's second biggest tyre maker, suffered a fall in fourth-quarter net earnings from continuing operations from $23m, or 48 cents a share, to $12m, or 28 cents.

The company's pre-tax operating profit from North American tyre operations dropped to $3m from $33m in the 1983 quarter, when the figure was inflated by a Lifo gain. Excluding the gain, profits were about the same as last year.

For the year, North American tyre operations fell from pre-tax profits of $122m to $8m with the company blaming intense competitive pricing pressures, higher manufacturing and retailing operating costs, and passenger vehicle tyre shortages earlier in the year.

International tyre operations' pre-tax profits also fell in the fourth quarter, from $29m to $23m, but rose from $110m to $122m for the year.

For the company as a whole, net earnings from continuing operations dropped from $88m, or $1.79 a share, to $63m, or $1.36, in the year ended October 31. The figure included a $11m gain on the sale of Brazilian rubber plantations, but excluded a $26m gain from discontinued operations and extraordinary credits of $13m, which boosted final net to $102m, or $2.21 a share.

In the previous year a $12m gain from discontinued operations and extraordinary credits of $11m made a final net earnings of $111m, or $2.26 a share. The average number of shares during the year dropped from 49m to 46.4m because of a stock repurchase programme.

By far the best performance in the latest quarter and year came from the company's diversified products operations, which include vehicle parts and rubber products.

Lazard group in Mediobanca talks

BY ALAN FRIEDMAN IN MILAN AND JAMES BUXTON IN ROME

LAZARD FRERES, the investment bank, is in talks which could result in the group taking 20 per cent of Mediobanca, the powerful Milan-based merchant bank which is majority-controlled by IRI, the Italian state holding group.

The stake would be acquired in exchange for a package of shares worth $98m.

A senior executive at the Lazard Freres group in Paris said last night that the group had been working on a plan which envisaged a share swap between a Luxembourg company controlled by Lazard and Mediobanca.

The idea is for Euralux, the Luxembourg company, to hand over to three IRI-controlled banks which are major shareholders in Mediobanca, a package of shares in Assicurazioni Generali, Italy's leading insurer.

The Euralux-owned shares, which total 4.83 per cent of Generali, would be used in lieu of cash for a 20 per cent stake in Mediobanca. They have a market value of $98m.

Mediobanca, which last year made a profit of L86bn ($45m), is an unusually powerful institution in Italian finance. It is effectively run by Dr Enrico Cuccia, aged 77, who has played a major role in almost every important corporate takeover in recent Italian history.

Mediobanca, known for its secrecy as much as its influence, was behind the takeover by Sweden's Electrolux of the Zanussi home appliance group. Likewise, Mediobanca participated this autumn in the private consortium which bought control of the Rizzoli publishing group and its Corriere della Serra newspaper.

Sig Giovanni Agnelli, the Fiat chairman, is known to be close to Dr Cuccia and Mediobanca. Sig Agnelli admitted in a statement this week that one of his family's many finacial holding companies actually owns a very small indirect stake in Euralux, the Luxembourg vehicle through which the Lazard Freres group is acting. Another Agnelli family vehicle owns a tiny stake in Mediobanca.

The Lazard-Mediobanca plan could founder if political opposition in Rome continues to mount, as it has in recent days. Professor Romano Prodi, president of IRI, is believed to have doubts about the entry of Lazard, a foreign entity which would dilute state control of Mediobanca.

Sig Clerlio Darida, the Minister for State Industrial Participations, said last night the Italian Government had its own doubts about the deal. Meanwhile, the Communist Party put down a motion in Parliament opposing the move.

A number of Italian politicians have this week been debating the possible deal, which in Italy is couched in terms of the "privatisation" of Mediobanca. But this is somewhat misleading since around one-third of Mediobanca is already in private hands.

The merchant bank is quoted on the Milan bourse and IRI controls a total of 56.9 per cent through three of its banks—Banca Commerciale Italiana, Banco di Roma and Credito Italiano.

Flick arms unit denies sell-off plan

By Peter Bruce in Bonn

KRAUSS MAFFEI, one of West Germany's leading defence contractors, moved yesterday to try to dampen long-running speculation that its parent, the controversial Friederich Flick industrial group, is trying to sell it because of financial difficulties.

In an angry statement, Munich-based Krauss Maffei, which makes the country's main battle tank, the Leopard 2, said Flick had had a good year in 1983 and was expecting even better results this year. Take-over speculation was also damaging Krauss Maffei's reputation, it said.

The statement, which is likely to add to speculation about the division's future, rather than reduce it, also said Flick had made it clear it did not have to sell Krauss Maffei.

Flick confirmed this yesterday, but said talks had taken place with parties interested in buying Krauss Maffei. A spokesman said, however, that a much publicised "asking price" of between DM 280m and DM 300m ($98m) had never been mentioned by the parent company.

At least two consortia are understood to be trying to buy Krauss Maffei. One, led by Messerschmitt-Bolkow-Blohm, has been greeted coldly by the West German cartel authorities, and the Defence Ministry, which worries about concentrating too much defence contracting with one source. MBB is understood to have subsequently brought in a small machine tool and glider manufacturer, Grob-werke, to help reduce its potential stake, and is considering asking a bank to join in a bid.

A second group, whose existence was confirmed by the cartel authorities last month, is being led by Industrie Werke Karlsruhe-Augsburg (IWKA), along with the Dornier aircraft group and, as yet unconfirmed, the Diehl engineering group. Diehl bought IWKA's weapons arm, Mauser werke, in 1979.

Despite Krauss Maffei's defensive statement, it is clear that the bidders believe Flick could be persuaded to sell. Dr Hanns-Arnt Vogel, MBB's chief executive, was chairman of Krauss Maffei's supervisory board until recently.

Hitachi climbs 27% at midway

TOKYO. — Hitachi's group net earnings climbed 27 per cent in the first half to Y101bn ($407.8m) from Y79.4bn a year earlier.

Sales gained 18 per cent to Y2,467bn from Y2,091bn and pre-tax profit rose 30 per cent to Y247.29bn from Y190.83bn.

Per-share net advanced to Y34.74 from Y28.01, while income per American Depository Receipt (ADR) increased to Y347 from Y280. One ADR represents 10 shares.

A favourable sales performance for Hitachi's industrial and consumer electronics products contributed particularly to the company's steep rise in earnings. But all five of the group's sales categories showed gains.

Sales for information-communication systems and electronic devices, the laregst sales category, rose 38 per cent from a year earlier to Y741bn. Sales of semiconductors, especially metal-oxide semiconductor (MOS) devices, and computers were particularly strong.

Consumer - product sales, bolstered by demand for video casette recorders (VCRs) and air conditioners, climbed 20 per cent to Y535bn. Wire-cable, metal, chemical and other products rose 13 per cent to Y443bn.

Sales of industrial machinery and plants were up 5 per cent to Y387bn and that of power systems and equipment up 2 per cent to Y360bn.

Hitachi's overseas sales increased 35 per cent to Y794bn and accounted for 32 per cent of overall sales.

The consolidated report covers the results of the parent and 46 subsidiaries, including eight overseas corporations.

For the year to March 1985, Hitachi expects group net income to rise 21 per cent to Y203bn from last year's record

Sales are expected to reach a record Y4,980bn, surpassing the previous record of Y4,367bn last year, on steady growth of sales of computers, electronic devices and VCRs.

Separately Hitachi says it has developed a CMOS 32-bit microprocessor test chip with full 32-bit address and data structures.

Agencies

Turkish bank lifts capital

BY DAVID BARCHARD IN ISTANBUL

AKBANK, Turkey's largest private bank, is to triple its capital from TL 15,000bn to TL 50,000bn ($115m), Mr Erol Sabanci, the chairman, said yesterday. The bank will also increase its required reserves by TL 35,000bn.

The additional cash will come from the bank's shareholders, the Sabanci Holding Group, one of Turkey's largest industrial groups. Recently, Mr Sabanci reported that the Akbank enjoyed the most successful year in its history.

Most of Turkey's private banks face major difficulties as a result of the Government's economic reform which have led to an upsurge in bad debt experience.

However, a few Turkish banks, along with foreign banks in Turkey, have adjusted assets management and auditing purposes to take advantage of the new conditions.

● On Monday Sabanci Holding is due to sign a $25m loan agreement with 10 international banks to promote export activities. The loan is the first of its kind to have been secured by a Turkish industrial group.

Motorola in Taiwan venture

By Our Financial Staff

MOTOROLA of the U.S. is planning a $48m investment in Taiwan to assemble and test large-scale integrated circuits.

The investment represents further progress in Taiwan's drive to attract state-of-the-art technology, especially in micro-electronics.

The Government earlier this year approved investment applications by MOS Electronics, Quasel, and Vitelic, all of the U.S. The investment by these companies in Taiwan could reach $100m within three years.

Boehringer may face big clean-up bill

BY RUPERT CORNWELL IN BONN

BOEHRINGER chemicals and pharmaceuticals concern could face costs "running into hundreds of millions of marks" for the clean-up of its former plant near Hamburg, shut down by a city tribunal because of excessive residual waste containing the lethal chemical dioxin.

This estimate was made yesterday by executives of the group in their first detailed public assessment of the consequences of the closure last June, believed to be the first action of its kind by a West German court against an industrial company.

The facility manufactured some 50 tonnes a year of the agricultural chemical Lindan—until it was shown that waste from Lindan production contained large quantities of dioxin and that it could not be stored elsewhere.

Herr Folkert Bellstedt, chairman of the parent company C. H. Boehringer Ingelheim, said yesterday that the clean-up costs, spread over five years, could amount to the equivalent of a full year's pretax profit.

In 1983, the last year for which full figures are available, Boehringer made net profits of DM 56m, on sales of DM 3.83bn. Group turnover this year is forecast to rise 11 per cent to around DM 4.3bn.

According to Herr Bellstedt, the company has first to examine the results of 8,000 earth sample tests in and around the polluted area. As yet no proven method existed for decontamination from dioxin, which was responsible for the Seveso catastrophe in Italy in 1976, the company pointed out.

Chris Sherwell on the collapse of Singapore trader Hoo Thye

Red faces at Abalone Man's fall

NINETEEN BANKERS in Singapore, all but four of them foreign, face a prospective loss totalling almost S$100m (U.S.$46.2m) because of last weekend's collapse of Chop Hoo Thye, a well-established import-export house run by a local Chinese trader.

The two biggest creditors are the government-owned Development Bank of Singapore (DBS), one of Singapore's "big four" commercial banks, which extended loans amounting to S$18m, and Chemical Bank of the U.S., which lent an estimated S$17m. Apparently these loans were unsecured.

On Wednesday the High Court appointed Peat Marwick Mitchell as receivers to handle the liquidation of Hoo Thye. In another development, receivers were also appointed for a related trading company, Yak Mong, which is reported to have debts totalling S$27m. Further legal actions are possible as efforts to recover the money widen.

Hoo Thye's crash was only partly because of a downturn in business. It seems the decline in the local stock market, where some of the company's money was invested, was also a major factor.

Hoo Thye traded mainly in canned foodstuffs and was best known for its line in abalone. It was run as a sole proprietorship by Mr Ng Khway Tiat, known locally as the "Abalone Man." His father, Mr Ng Choon Sze, founded the firm in 1946. Both were reported last weekend to have left Singapore.

The business's collapse is the biggest crash of a private company since Lee Wah Cane Furniture folded in early 1983. That involved a sum of more than S$50m spread among 24 banks, most of them foreign.

Bankers say the latest failure underlines the need for a central credit information bureau in Singapore, but its real significance is that it again exposes the hazards of "name lending" which forms the basis of many banks' relationships with local businesmen. Such arrangements mean it is usually impossible to distinguish loans to a business and loans to an individual.

In the cast of Hoo Thye, money went into stock market dealings. The local market has fallen sharply from its February peak, and some punters have taken bad losses.

The affair also says something about the involvement of foreign banks in this type of lending. Those hit by the collapse are Bank of Canton (from Hong Kong), Ban Hin Lee (from Malaysia) Banque Francaise du Commerce Exterieur, Bangkok Bank, Bank of America, Mitsui Bank, Banque Nationale de Paris, Société Generale. Société Generale de Banque (from Belgium), Lloyds European Asian Bank, Banque Worms, DG Bank (of West Germany), and Arab Banking.

Two of the four local banks involved in lending to Hoo Thye did not join the petition for receivership, which was co-ordinated by Chemical Bank. The two—Four Seas Communications Bank (part of the Oversea-Chinese Banking Corporation group) and Asia Commercial Bank—claim to hold goods at Hoo Thye's warehouses as security against their estimated loans of around S$10m each. The fourth local bank involved is Chung Khiaw Bank, part of the United Overseas Bank group.

Bankers said yesterday that reports of difficulties facing Hoo Thye had been circulating for some time, and were the reason Four Seas and Asia Commercial Bank had tried to secure their loans. Chemical Bank served injunctions last weekend to prevent assets being removed.

The Monetary Authority of Singapore, the country's quasi-central bank, has stayed in touch with the affair both through its routine monitoring of the financial sector and by direct inquiries.

The heavy involvement of DBS is something of an embarrassment for the government, and may revive calls for greater prudence in lending by local banks. One newspaper has already argued editorially for a "greater sense of professionalism" and a "deeper appreciation on the part of bankers of their role in society as the guardians of other people's money."

Given the tiny size of the market and the strong inclination to secrecy in Singapore, it is inevitable that a flood of rumours has swamped the financial district since the news broke. But it is clear that no bank is likely to be affected financially by the Hoo Thye collapse. The real pain lies in the embarrassment.

HK property group ahead

BY DAVID DODWELL IN HONG KONG

HONG KONG & KOWLOON Wharf and Godown Company, the property group controlled by shipowner Sir Yue-Kong Pao, yesterday posted unaudited after-tax profits of HK$214.3m (U.S.$27.4m) for the six months to September — 28.4 per cent up on the HK$166.9m earned in the six months to June 1983.

Deposits and bank balances improved as the property portfolio—comprising 20 acres of commercial and residential property on the Kowloon waterfront and a controlling stake in four hotels—generated "considerable recurrent earnings."

The performance is in line with market expectations, but in marked contrast with that of most property companies in Hong Kong, which emerged from the collapse of the property market in 1982 with substantial debts. Kowloon Wharf is ungeared.

The interim dividend is seven cents, up from 4.9 cents.

The group's residential and commercial properties on the Kowloon waterfront, some of which were only completed in January, are now 93 per cent let in a weak rental market.

The group's 45 per cent controlled associate Harbour Centre Development, which owns three hotels in Hong Kong and one in Singapore, shows a recovery in half-time attributable profits to HK$41m Last year they slipped 35 per cent to HK$27.6m.

Cement glut hits earnings at two MUI subsidiaries

BY WONG SULONG IN KUALA LUMPUR

TWO LISTED subsidiaries of the diversified Malayan United Industries group, involved in the production and marketing of cement, have reported lower earnings due to a cement glut in Singapore and to a lesser extent in Malaysia.

Pan Malaysia Cement Works, which together with Malayan Cement, Malaysia's biggest cemen toperations, had pre-tax profits of 17.3m ringgit (U.S.$7.2m) for six months to September, down by 10 per cent.

Pan Malayan Rubber Industries, which distributes cement in Singapore, experienced an even sharper fall in first half pre-tax profits from 7.9m ringgit to 1.7m ringgit.

PMCW said it expects conditions to be challenging, but is optimistic of satisfactory second half results, while PMRI expects another profitable year.

PMCW is lifting its interim dividend to 3.5 cents from 3 cents, while PMRI is maintaining its dividend at 6 cents.

● The battle for control of Kamunting Tin, a small listed Malaysian company, between the Malaysia Mining Corporation (MMC) and dissatisfied minority shareholders, remains deadlock following the adjournment of an extraordinary general meeting. The dispute is now likely to go before the courts.

The meeting was called by minority sharehoders supporting Datuk K. C. Koh, to approve among other things, the replacement of the four MMC directors with Datuk Koh's nominees and the removal of Pernas Charter Management, the MMC management company, as managers of Kamunting.

MMC has 24 per cent of Kamunting, while Datuk Koh's supporters claim they have 30 per cent.

The meeting was adjourned for three months to allow the chairman to seek advice on the legality of the nine resolutions submitted by Datuk Koh's camp.

Fraser and Neave to sell holding in Malaya Glass

SINGAPORE — Fraser and Neave, and its 38 per cent associate, Malayan Breweries, plans to sell its entire holdings, some 46 per cent, of Malaya Glass Factory for 27.8m ringgits (U.S.$11.5m), or 3.20 ringgits a share.

The buyer, Bee Hin Holdings, will then sell most of Malaya Glass's assets, including its factory, plant, machinery and stocks, to a Fraser and Neave subsidiary at net book value, and make a general offer for the remaining Malaya Glass shares at the same 3.20 ringgits a share.

Malaya Glass requested a suspension in trading of its shares yesterday because of the announcement. On Wednesday, Malaya Glass closed at S$2.72.

The series of transactions are dependent upon approval from Malayan Glass's shareholders and from various Malaysian authorities.

AP-DJ

Senior post at Fairey Holdings

Mr Graham S. Clarke, financial director of FAIREY HOLDINGS for the last four years, has been appointed managing director of its energy and military engineering division. He will become chairman of the major companies in the division including Fairey Engineering, Stockport, and Elequip, Leicester. Fairey Holdings is the engineering sector of Pearson.

★

Mr Phil Sewell has been appointed technical director of ANYSPEED with responsibility for AC and DC drives.

★

Mr Michael R. D. Dunn has been appointed a non-executive director of NEWMAN INDUSTRIES. He is director of engineering, Rolls Royce Motors.

★

Mr D. E. G. Roberts and Mr D. A. Hulsh have joined the partnership of ASHTON TOD MCLAREN, stockbrokers, Liverpool. Mr Roberts will act as joint senior partner with Mr Mark Leather.

tors.

★

Mr Urs Eberhardt has been promoted to senior vice-president SWISS BANK CORP., London, from January 1, taking over administration and system development responsibilities. He will remain in charge of the private client and investment divisions. Mr Christopher Jansen has been appointed vice-president from January 1, and will be in charge of administration of staff.

★

Mr Stuart McDonald has been appointed to the board of LONDON AND EDINBURGH TRUST as joint managing director. His responsibilities will include the financial and treasury functions and the financial services division, of which he becomes chief executive. Mr McDonald is resigning as a director of N. M. Rothschild and Sons to take up his new appointment on January 1.

★

CONRAN ASSOCIATES has appointed Mr Barry Finnegan, who is currently managing Aquascutum in the U.S. as managing director from January 2. This will enable Mr David Salter to concentrate on directing operations. Mr Christopher Weeden, who controls the Paris office, joins the board.

★

Mr Don G. Fairley has been appointed sales and marketing director of ROCKWARE GLASS. He was with Metal Box.

★

SARASOTA TECHNOLOGY, Winchester, has appointed Mr Michael Norman Richardson as a non-executive director. He is a commercial lawyer and managing director of Quadrant Associates.

★

Mr Martin L. Wood has been appointed sales and marketing director, PIRELLI. He was director of marketing.

★

The DECLAN KELLY GROUP has appointed Mr Keith Lidgate as group finance director. He was with Touche Ross.

★

Mr Michael Bissell has been appointed to the new post of finance and contracts director at JOHN BROWN AUTOMATION, Coventry. He has held senior financial positions in the machine tool division of the John Brown Group.

★

Mr Ian Offor and Mr Keith Barker will be promoted to the assistant executive of SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY on January 1. Mr Offor becomes sales manager based in Edinburgh. Mr Barker will be sales development manager, a new post created to maximise the development of new business. He will be based in London.

★

GESTETNER HOLDINGS has appointed Mr Hector Wiltshire to the board. He is currently president of Gestetner Corp, U.S.

★

Mr Alan Tidy has retired as managing director of ECONOMIC INSURANCE COMPANY. Mr Jorn Ole Jorgensen has been appointed general manager and will have overall responsibility until a British general manager can be appointed.

★

Mr Christopher Parker, chief executive of ORACLE Teletext will be leaving in the new year to become commercial director of SAATCHI AND SAATCHI CONSULTING.

★

SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY has appointed Mr G. R. G. Graham, a director. He is a partner in Maclay Murray and Spens, and currently president of The Law Society of Scotland.

★

Mr P. J. Brickell has joined the partnership of TEATHER & GREENWOOD, stockbrokers.

★

Mr Philip Droog has been appointed managing director of FLUIDRIVE ENGINEERING CO and S. E. OPPERMAN, both members of the AE Group. He was marketing director.

★

Mr Robin Stewart, senior partner of the Manchester office of Deloitte Haskins and Sells, has been appointed chairman and a non-executive director of SILLAVAN INDUSTRIES.

★

On January 1 Mr J. Moger Woolley, assistant managing director of DRG becomes chief executive of UK operations. Mr John S. Camm, chairman and managing director of DRG, continues as group chief executive responsible for overseas operations.

★

TOM MARTIN METALS GROUP has appointed three additional board members: Mr K. Krannich, managing director of Toma Metall in Dusseldorf, Mr I. C. Craig, managing director of Avon Metals in Gloucester and Mr J. C. Gee, director of Tom Martin and Co in Blackburn.

★

Mr Hiroaki Yamataka has been appointed a director of GRIEVESON GRANT PACIFIC.

★

Mr Peter J. Howell, managing director of the MERCANTILE AND GENERAL REINSURANCE CO, retires on December 31. Mr John Lock, general manager, will assume the executive responsibilities of Mr Howell. He will also be appointed a director from January 1.

★

Mr Nigel Davies has been appointed managing director of NORBAIN DATA. He was UK marketing manager at Mannesman Tally.

★

Mr Peter Robinson has been appointed managing director of Reed Group subsidiary, BUTTERWORTH (TELEPUBLISHING) LTD. Mr Robinson joins BTL from Reed Publishing where he was administrative director.

★

Ms Marie-Louise Windeler joins HILL AND KNOWLTON (UK) as a director and head of the consumer division on January 1. She replaces Ms Suzanna Hammond who has been promoted to deputy managing director.

★

Mr G. V. Bayley and Mr J. C. G. Stancliffe have joined the board of SWISS REINSURANCE COMPANY (UK).

★

Mr Brian Eggleston is to join A H. GUEST as managing director early in the New Year. Guest is an associate company of the Ford and Weston Group.

★

Mr Tom O'Dwyer, general manager, has been appointed director of PIPELINE RESEARCH.

★

DERRITRON GROUP has appointed Mr Jack Considine as sales director from January 1.

THE PROPERTY MARKET BY MICHAEL CASSELL

Amey in £75m shops plan

THE RUSH to develop giant regional shopping centres around London has been joined by Amey Roadstone, which is planning a £75m retail development alongside the M25 motorway in Berkshire.

The proposals centre on a series of worked-out gravel pits at Hythe End, near Wraysbury. About 80 acres of the 260-acre site will be given over to shopping and the remainder will provide sports and recreation facilities for the local community.

Earlier this year, Capital & Counties and Town & City announced competing plans for regional shopping and leisure centres at Thurrock, on the eastern side of the capital. The proposals, likely to cost between £75m and £100m, are almost certain to be called in for a public inquiry.

ARC announced yesterday that its own proposals will form the basis of a planning application, in the next few weeks, to the Royal Borough of Windsor and Maidenhead. The group wants to develop over 1m sq ft of retail floorspace and says it is confident it will attract major store groups to the site. Medium-sized and small shop units will also be provided.

When the M25 motorway is completed it is estimated that around 1.5m shoppers will be within a 20-minute drive of the planned development and ARC says it is prepared to fund improvements to existing access roads in order to cope with the additional traffic. About 3,000 new jobs could be created.

ARC ceased gravel extraction on the site in 1979, after 40 years production, and total development costs include the extensive infilling of the water-filled gravel pits. The group says the 180 acres not occupied by the shopping centre will provide sports and recreation facilities for the local community.

ARC will not yet comment on funding arrangements but it seems likely that Consolidated Gold Fields, its parent company, will provide the required finance.

It was also disclosed yesterday that the Carroll Group has been selected to develop a retail leisure and business park on the site of the former Croydon B power station off Purley Way.

The £65m project, which is subject to the formal approval of the Central Electricity Generating Board, involves the redevelopment of nearly 50 acres of land. Work will begin within the next two or three years, as soon as demolition of the power station is complete.

Asda signs for the Den

MILLWALL FOOTBALL CLUB has signed contracts with Asda for the development of a superstore on a six-acre site adjoining the Den, the south-east London club's ground. The site has been purchased by Millwall and planning permission is now being sought.

The deal ends over five years of negotiations on proposals to redevelop the Den, involving Millwall and Asda. If the development goes ahead, the entire ground will undergo a comprehensive modernisation and improvement programme. The proposed store will extend to around 70,000 sq ft and there will be parking for 540 vehicles.

Mr Alan Thorne, chairman of Millwall, said yesterday: "Our fans have had to put up with poor facilities for years and the new look Den will enable them to watch games in comfort as well as giving a huge morale boost to the whole club.

"The final decision rests with the planners and I hope they grasp the opportunity with both hands by allowing the development to proceed."

● Higgs and Hill Properties has sold the freehold of its recently completed Crown Business Centre, West Drayton, to Scottish Amicable Pensions Investments for about £4.28m. The estate, close to the proposed Stockley Park development, produces an annual income of over £321,000. Peter Taylor acted for Higgs and Hill. SCAMPI were advised by Hoddell Stotesbury.

ICI's search leads back to Millbank

THE INTENSIVE but abortive search by Imperial Chemical Industries for an alternative London headquarters building seems strangely at odds with recent images of a property market bogged down in surplus office space.

Despite two-year investigation, in which ICI took a look at new fewer than 108 possible buildings or sites, it has finally decided there is no place like home.

The group was prepared to move and anxious to move but, at the end of the hunt, was forced to conclude that it could find nowhere more suitable than the Millbank building it has occupied for the best part of 60 years.

According to Malcolm King of King and Co, the agents who assisted ICI in their search: "The outcome speaks volumes about the state of the central London office market. Our efforts were confined to Victoria and the West End, both markets in which the continuing oversupply of space has been the predominant theme.

"But when confidence drained away from the development market it hit big schemes in particular. Problems over obtaining sizeable planning consents have added to the difficulties and the end result is an extremely limited choice of larger, modern properties."

The situation has been repeated in the City, where large chunks of floorspace are now extremely difficult to locate and are likely to become increasingly rare if current thinking within the City Corporation is translated into planning reality.

As for ICI's dilemma, King says none of the buildings considered were suitable and that the group simply had no alternative but to consider the modernisation of their existing Millbank complex.

Among the buildings on the final shortlist were Victoria Plaza, the 200,000-sq-ft office complex developed by Greycoat London and Norwich Union. It was considered too large and—like many other prospective tenants—ICI found the anonymous access unattractive. Other contestants were New Buckingham Court, the Chesterfield Properties' scheme in Buckingham Palace Road which ICI believed it would have trouble adapting to its own use, and the United Real Property scheme in Victoria Street, considered to be too small.

Now the group will isolate about 130,000 sq ft of floorspace in the south wing of Imperial Chemical House and modernise it for its own use. The remaining 150,000 sq ft will be developed to provide office accommodation that will be let or sold.

Norwich Union picks up a plum

NORWICH UNION seems to have got the better end of the deal in its purchase of Plumtree Court, the stylish City of London office building developed by Trafalgar House.

Beyond confirming this week that a widely expected sale has been agreed, Trafalgar has not been anxious to provide any further details of a transaction which represents one of the biggest investment deals seen in the City this year. Disappointment at the final outcome may be partially behind some of its reluctance to spell out the facts.

But it is now clear that Plumtree Court, completed in 1983 on the site of the former London Evening Standard offices off Shoe Lane, has gone to Norwich Union for a figure thought to be a little over £45m. The deal shows a yield in the region of 6.75 per cent. Current prime office yields stand about 2 percentage points lower.

The 190,000 sq ft building was let earlier this year to Coopers & Lybrand, the accountants, at a rent of nearly £17.25 a sq ft and has been on the investment market at an asking price approaching £60m.

Despite the building's undisputed pedigree—together with the high calibre of its tenant—it has clearly not been an easy package to sell. The institutional market for properties of this size has been extremely limited and the building's off-pitch location, close to Ludgate Circus, narrowed the field of interested buyers still further.

One City agent said the transaction confirmed there was still a market for buildings of its size and type but that owners wanting to sell in the current market had to expect a discount. "Norwich Union are getting a good buy," he added.

For Trafalgar, the deal represents the second major City disposal within a few weeks, following the sale—again to Norwich Union—of 82-88 Fenchurch Street for around £11.5m.

Cussins gets down to the Houndsditch

CUSSINS PROPERTY is to redevelop the former Houndsditch store in Peckham High Street. It has purchased the 4-acre site from Argyll Stores (Properties) and intends to develop 93,000 sq ft of shopping space and 200 car parking spaces.

The £10m development will be undertaken in conjunction with Argyll who have agreed a 35-year lease of the anchor store for Presto, which already has a store on the site. The entire scheme, to be developed in two phases, will be completed in 1987 and Cussins anticipates an initial rental income of over £325,000 a year.

● Landseer Property has purchased a 1.1 acre site at the junction of Kensington High Street and Earls Court Road from Illingfield Securities and intends to develop 33,000 sq ft of offices, 21,000 sq ft of unit shopping and 37 residential units. Chestertons are retained as agents.

● Crowngap Developments, in association with Royal Life, has completed and let its 36,000 sq ft Camberley office scheme to Systems Designers, the computer company. The tenant for Pembroke House will pay an annual rent of £370,000. Letting agents for the property, with an investment value of £5.3m, were Weatherall Green and Smith, St Quintin and Messenger May Baverstock.

● Eagle Star and Cruden Developments have confirmed that Hewlett Packard are taking Central Square, Uxbridge, the 120,000 sq ft office scheme, at rent of around £14 a sq ft. Hampton and Sons are to dispose of four surplus floors.

● The London borough of Barnet is to acquire a 20 year lease from British Ever Ready on Vesture House, the 77,500 sq ft office building in High Road, Whetstone. D. E. and J. Levy arranged the assignment, with a passing rent of £575,000 a year.

IBA Investments

Investments for Sale

Offices To Let

Offices

For Investment

International Property

UK COMPANY NEWS

Bass tops £218m and lifts its market share

FURTHER GROWTH was achieved by Bass over the second six months which enabled the brewing and leisure group to lift its profits before tax to a record £218.4m for the 53 weeks to September 30, 1984.

Cost savings and greater efficiency saw profits growth outpace an increase in turnover of some 13 per cent.

Mr Derek Palmer, the chairman, said the group would be trying to maintain the rate of growth again this year but added that "it is going to be that much harder."

During 1983-84 sales were ahead in all divisions with those of beer particularly buoyant. The group reckons it increased its share of the beer market over the period by one per cent to 21 per cent.

Mr Palmer said that in volume terms the industry increase was probably some 0.5 per cent but Bass had been "substantially better" than that.

Group turnover expanded from £1.99bn to £2.25bn with the brewing, drinks and pub retailing contribution at £1.68bn (£1.49bn). The leisure activities, which take in Coral Leisure and Pontin's, accounted for £571.3m (£494.8m).

Respectively, the operations returned trading profits of £199.3m (£164.8m) and £36m (£32.4m).

Pre-tax profits improved from £175m to £218.4m and were struck after deducting interest charges of £16.9m, compared with £22.2m.

A final dividend of 9.6p (8.43p) raises the net total from 11.36p to 12.9p per 25p share.

The policy of investing substantial sums in the improvement and expansion of group facilities and retail outlets was maintained. During the year capital expenditure of £180m was incurred and £263m is projected for the current year of which about half will be spent on retail interests and a quarter on pubs.

The number of properties within the Bass estate dropped over the year by 96 to 7,520. Overall, the workforce dropped by some 2,000 to 69,192. Of the total 1,500 jobs were lost on the non-retail side.

The group maintained its position in traditional ale, and lager was very substantially increased. Mr Palmar revealed that Bass was now moving to a point where lager would make up half of its beer sales.

The percentage split last year increased from 42 per cent to 46 per cent.

Commenting on whether or not licensing hours should be scrapped Mr Palmar said his group was in favour of flexible hours but saw no particular merit in extended hours. He added: "I do not think we would sell more beer. We would just have increased costs."

Within the leisure interests, hotels were the best performer. Next best was bingo, followed by bookmaking and holidays.

Mr Palmar said the miners' strike had hit the holidays business, although he could not put an exact figure on its cost. Holiday results overall showed an improvement but were not up to previous expectations.

Mr Derek Palmar . . . in favour of flexible hours

On the search for a U.S. hotels chaind Mr Palmer said: "We are still thinking."

He pointed out that the group as a whole was restricted in its takeover ambitions because of its size and "on the leisure side we have to be very selective because there is a lot of rubbish about."

Mr Palmar said he had now put back his target to achieve a 75/25 beer and leisure interests split to five years on.

The expansion would, he said, mainly be on the hotels side and, once market conditions improved, the group would invest further in holidays.

Tax for the past year took £74.7m (£61.7m) to leave net profits £30.4m ahead at £143.7m.

Below the line there was an extraordinary debit of £9.2m for deferred tax which is likely to arise in future years and minorities of £0.9m (£0.6m).

The available balance for ordinary shareholders amounted to £133.3m (£112.4m), equal to earnings of 41.9p (36.7p) per share.

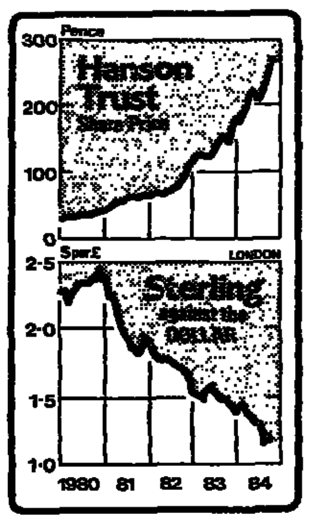
A group statement of source and application of funds shows a £57.8m (£11.6m) improvement in liquid funds. Net current assets totalled £67.3m (£46.5m).

See Lex

Hanson comes of age with 86% rise

ANNOUNCING AN increase of 86 per cent in taxable profits for the year to end-September 1984, the 21st year of trading, Lord Hanson, chairman Hanson Trust, says that the growth rate of earnings and dividends was more than twice the UK industrial average. The company, now with a market capitalisation exceeding £1.7bn, "is among the top 20" in Britain.

The profit, at £169.1m against £91.1m, represents a record performance both at home and in the U.S., where almost half of the surplus was earned in the tenth consecutive year of growth. The period witnessed the acquisition of U.S. Industries Inc., Hanson's largest purchase.



The chairman attributes the USI and the London Brick acquisitions to the strength of the balance sheet, and he adds "we start the new year with larger resources than ever."

Dividends are to be raised by an effective 1.67p to 5p net per share with the recommendation of a 3.25p final, compared with an adjusted 2p, and there is to be a further one-for-two scrip issue in January. Stated earnings per share have risen by 70 per cent from an adjusted 11.3p to 19.2p undiluted.

Sales of this diversified industrial holding concern totalled £2.38bn (£1.48bn), a rise of 61 per cent.

Highlights of the UK trading performance were the £24.8m (£6.7m for five months) contribution from Allders, a rise of more than £11m to £31.9m at British Ever Ready, and a more than four-fold increase at Hanson Brick to £32.6m (£7.8m).

In the U.S. there was a contribution of £38.9m from USI for the five-month period since its acquisition.

After tax at £43.4m against £27.5m and minority interests of £0.4m (£0.8m) there was an extraordinary debit of £3.1m (credit £0.7m), leaving £122.2m (£63.5m) available for distribution.

See Lex

Fourth quarter rise pushes BOC profit to record £138m

FOURTH QUARTER profits of £37.1m, against £31m, have pushed full year results of the BOC Group to £137.8m pre-tax, a jump of 44 per cent over the previous £95.8m, and are in line with the forecast of a substantial increase.

Richard Giordano, managing director and chief executive of BOC

Turnover of this gases, health care and carbon products concern expanded from £1.7bn to £2.1bn for the 12 months, excluding related companies, while operating profits emerged £62.2m higher at £217.3m.

Figures are calculated on a modified historical cost basis.

The operating result was split divisionally as to: gases and cryogenic plant £145.1m (£123.4m); health care £63.8m (£56m); carbon and carbide £11.7m (£10.5m loss); welding £3.1m (£2m loss); other businesses £9.3m (£4.7m); corporate £17.3m loss (£6.8m loss); discontinued businesses £1.6m (£9.7m loss).

The same figures were split on a regional basis as to: Europe £63.1m (£53.6m); Africa £20.4m (£22.3m); Americas £80.7m (£38m); Asia/Pacific £53.1m (£41.2m).

The gases business improved by 17 per cent and, in the main, came from the U.S. and the UK where the group enjoyed the benefits of its investments in new plant and new applications technology during the economic recession.

Within the health care division — up 14 per cent — the anaesthetic pharmaceuticals business, Anaquest, Glasrock Home Health Care and the international business of Ohmeda all performed well, the directors state.

However, the Ohmeda side in the U.S. put in poor figures. This was due principally to the effects of the vigorous cost containment measures undertaken in the American health care system, and also to the adverse impact that the highly valued dollar had on its exports.

The directors point out that the graphite electrode business was adversely affected by the strong dollar, "which has favoured Japanese and European competitors." However, both the graphite electrode plant in South Carolina and the coke producing facility in Seadrift, Texas, are operating effectively, while the specialty carbon products business "had an excellent year."

The strong dollar against sterling gave the group some £12m at the pre-tax level, but directors say this was more than offset by the effect on exports from the U.S.

The pre-tax figure also included associate companies' shares of £17.7m, compared with £15.8m, realised stock holding gains of £4.6m (£0.6m), but was after depreciation, up from £147.4m to £156.5m, and interest charges of £94.1m, against £59.9m.

After ACT written off earnings per 25p share are shown, on a net basis, at 20.44p (14.5p) and undiluted and 18.87p (13.46p) diluted. The dividend is lifted to 7.7p (6.3p) net with a final payment of 4.55p.

See Lex

GUS grows to £105m at halfway

MAIL order, Burberrys and the finance and property operations of the Great Universal Stores concern all showed an improvement and lifted taxable profits for the half year ended September 30 1984 to £105.11m, compared with £92.23m.

The directors point out that all other divisions, which include manufacturing, merchanting and travel, maintained their contribution to the result.

Excluding VAT, turnover passed the £1bn mark for the first time at £1.04bn, against £951.3m.

Stated earnings per 25p share were 24.32p, compared with 21.77p and the interim dividend is boosted to 6.25p (5.5p) net.

● **comment**

Is it time for a rerating of Great Universal Stores, which has for so long traded at a discount to the rest of the retail sector? The group's slow and steady profits growth looks uninspiring when times are good for other retailers, but when times are hard it is a different matter. Perhaps the fact that sector leaders like Marks and Spencer and Habitat-Mothercare have recently been marked down a little in the City indicates that investors are more ready to turn to the likes of GUS. They should be encouraged by these results which put 8p on the non-voting "A" shares to 633p on a dull day. The Burberry and Scotch House shops and the mail order business are performing strongly, more than compensating for the weakness of the fashion shops and of furniture. Meanwhile, the finance business, concentrated on consumer credit which the group knows best, continues to expand. There is also a small sign that GUS might be becoming a bit more generous to investors than in the past, with a 13.6 per cent increase in the dividend. For the year the group should make about £260m pre-tax, putting the shares on a p/e of just over 10, on a 42 per cent tax charge. GUS looks attractive enough to provoke some switching from higher-rated stocks—it would look even more interesting if it deigned to put a few more facts and figures in its statement.

Pauls slips and sees little change ahead

Pauls, a maltster, flour miller and manufacturer of animal feeding stuffs, is not expecting a significant change in profits for the year to end-March, 1985.

Mr M. G. Falcon, the chairman, says much will depend on the determination of dairy farmers to make up present shortfalls on their milk quotas and on consequent volume of cattle feed sold this winter.

Pre-tax profits for 1983-84 slipped to £11.33m. For the first half of the current year they dipped from £4.5m to £4.4m from sales of £157m, against a previous £158m.

The net interim dividend is being held at 2.5p per 25p share.

Action has been taken to reduce costs to combat the difficulties encountered in the company's traditional markets of animal feed and malt.

The newer activities are all growing and agricultural operations are already recovering.

Milk production quotas imposed last spring seriously reduced cattle feed sales in the opening half. Pauls Agriculture acted promptly to reduce its cost base and is well on the way to recovery.

Pig and poultry feed sales showed good gains and, overall, market share was increased. Profits of the pig contract scheme are on target.

Demand for malt was weak and lack of hard currency in overseas markets curtailed exports. Pauls Malt is closing certain malting activities in Britain and is withdrawing from malting operations in Germany.

Profits of Pauls Flavours & Fragrances continued to grow and the savoury flavours business performed well.

Telford Foods "is achieving its growth projections and the new range of special soups is most successful."

Mr Falcon says that on the retirement of Mr F. A. Heaton-Merheim, the managing director of Pauls International, the U.S. flavours company Reynaud will join Pauls Flavours & Fragrances. Animal feed exports will become part of Paul's Agriculture.

Continuing delays in planning approvals have caused cancellation of the Heartland Farms pig project in Colorado.

● **comment**

The market was quite impressed with the way Pauls has managed to contain the damage done to sales of animal feeds and of malt by sudden declines in demand. The company coped with the impact of EEC restrictions on milk production by cutting 10 per cent off the animal feed workforce and in malt it reacted to the fall in sales to developing countries by closing two of its eight UK maltings. Meanwhile, the pig-rearing businesses, which were losing money in the trough of the cycle last year, are now in profit. But the group is concentrating its long-term expansion plans on the flavours and fragrances and human foods companies, recently increased by the acquisition of Telford Foods. For the current year a small advance from last year's £11.3m pre-tax to £11.5m-£12m can be expected, putting the shares up 5p to 208p, on a rating of about 10, assuming a 43 per cent tax charge. If the group's expansion plans succeed this will look good value a year or two from now. But for the present investors can expect the shares to mark time.

Allied Colloids profit margins show increase

WITH SALES 30 per cent higher at £48.87m, against £37.64m, Allied Colloids Group, maker of industrial chemicals, raised pre-tax profits by 40 per cent from £7.61m to £10.65m for the six months to September 29, 1984.

Despite substantial raw material price increases, profit margins have increased when compared with the same period last year. The company expects further improvement in some sections of the market as the benefit from sales price increases are realised.

While UK sales have been adversely affected by the coal dispute, overseas sales have continued to grow, both in volume and value.

The sterling exchange rate has continued to be favourable to the company's export performance. The group does not expect any general deterioration of trading conditions during the second half.

The net interim dividend is effectively raised from 0.5p to 0.7p — last year's final was equivalent to 1.4p.

At the operating level, half-time profits rose from £7.75m to £10.82m, before interest payable and similar charges of £172,000 (£141,000). Tax took £4.32m (£3.28m) and stated earnings per 10p share rose from 3.46p to 5.06p.

● **comment**

Although the buoyant trading environment plays a part, Allied Colloids is one of those companies whose shares always shine when sterling is under pressure and particularly when the U.S. dollar is strong. This is understandable given that more than 80 per cent of the group's sales originate overseas. But, while basking in this somewhat artificial climate, the market has clearly overlooked the impact of the miners' strike at home. No figures are given but the company discloses that UK sales were "adversely affected." This oversight put the first half outturn below the bottom end of the analysts' range, and the shares eased 2p from the year's high of 215p. Although trading continues strong across the board, a situation reinforced by extra U.S. capacity coming on stream, the market is trimming its full year expectation slightly to around £23m pre-tax. At this level the prospective p/e after tax of 40 per cent is still almost 20, reflecting the company's inherent strengths and broad exposure.

Penny and Giles plans 23.5% placing on USM

BY STEFAN WAGSTYL

Penny and Giles International, a company which makes advanced control and measurement instrumentation, yesterday announced details of its imminent quotation on the Unlisted Securities Market.

Stockbroker Quilter Goodison is placing 23.5 per cent of the company's issued capital, 2.12m shares, at 130p each. Of these, 577,000 are new shares, issued to raise about £530,000 to help finance the company's expansion plans.

The remaining 1.54m shares are being placed on behalf of existing shareholders, including Professor William Penny, the chairman, and Mr James Giles, a director, co-founders of the company which first made its name making "black box" flight recorders for aircraft. The placing leaves Professor Penny with nearly 33 per cent of the equity, and Mr Giles with just over 25 per cent.

Penny and Giles, which has factories in Christchurch, Dorset, and in Blackwood, Gwent, is forecasting pre-tax profits for the year to the end of next March of about £1.08m. Last year, the group made sharply increased profits of £937,000 on turnover of £9.2m, about one fifth of which was exported.

The group consists of four main companies — conductive plastics, recorders, potentiometers and transducers.

On the 1983-84 profits, given a 25 per cent tax charge, the shares are being placed on a historic multiple of 14.5. The directors forecast a dividend for the current year of 1.21p net. Net assets per share are put at 56.9p.

Dealings start on December 13.

RKP back in black at halfway

Routledge & Kegan Paul, publisher, continued its recovery programme in the six months to September 1984 with a return to pre-tax profits of £104,590 against a comparable £49,230 loss. Group turnover rose from £2.56m to £2.93m.

Stated earnings per 25p share were 9.1p (loss 4.4p) and again there is no interim dividend.

The directors state that improved sales combined with steady margins and controlled overheads, enabled the company to achieve a level of profitability from which it expects to grow.

The dollar exchange rate helped revenue from the U.S., but sales in the UK and export markets in the Far East and Australia have shown useful increases.

In the 1983-84 year the company showed a loss of £242,595.

Edbro Holdings

A drop of some 9 per cent in pre-tax profits at Edbro (Holdings) for the first half to September 30 1984 is described by the directors as somewhat "disappointing." Profits of this engineer fell from £1.1m to £1m on turnover of £9.2m (£9.9m). Second-half profits are expected to be not less than the first half—the last full-year result was £2.5m.

The net interim dividend has been held at 2p. Earnings per 25p share are shown as 11p (12p).

Wagon Ind. rises midway

WITH MOST of the group's UK companies having a significantly better first half, pre-tax profits of Wagon Industrial Holdings, material handling and storage, office equipment and engineering concern, expanded to £2.46m for the six months ended September 30 1984, against £1.65m.

The directors say that this trend should continue for the remainder of the year. Order books are strong, they add.

For the whole of the 1983-84 year, taxable profits rose from £2.9m to £3.83m, but the overall result was affected by poor figures from Vinco, the French subsidiary. The directors, however, now say this company has improved on its position during the first six months.

The interim dividend has been lifted from 2p to 3p net per 25p share and although this in is line with the improved trading performance, it is also to reduce disparity with the final; last year this was 4p.

Turnover increased by £3.73m to £34.04m

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Allied Colloids ......int.	0.7	—	0.5*	—	1.9*
Bass	9.6	—	8.43	12.9	11.36
BOC	4.55	April 3	3.57	7.7	6.3
Brit. & Amer Film int.	1.51	Jan. 4	1.38	—	4.2
British Tar ....int.	1.2	Feb. 5	0.8	—	3
Edbro Holdings ......int.	2	—	2	—	6
Fairline Boats	1.5	Feb. 2	—	2.63	1.75
Feedback ....int.	1.25‡	—	1.25	—	2.75
Ferranti ....int.	0.52	Feb. 4	0.44¶	—	1.32¶
Fine Art ....int.	1.1	Jan. 19	1.1	—	3
Finlan ....int.	1.8	—	1.5*	—	3.5*
Gibbs Mew ....int.	1.1‡	April 8	1.1	—	2.56
GUS ....int.	6.25	Mar. 29	5.5	—	16
Gresham House ......int.	1.4	—	1.4	—	4
Hanson Trust	3.25	Feb. 8	2*	5	3.33*
Holden Hydroman ...int.	0.98‡	—	—	—	—
Keystone Inv.	6	—	6	10	9.64*
Nottingham Brick	3.5	Feb. 15	2.5‖	5	3.5‖
Pauls ....int.	2.5	—	2.5	—	8.5
Prop.& Reversionary int.	1.25	Jan. 8	1	—	3.7
Wagon Ind. ....int.	3**	—	2	—	6

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Adjusted for subdivision. ‖ Adjusted for scrip and subdivision. ** Increase partly to reduce disparity.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Alpine Soft Drinks, Bristol Evening Post, Harrisons Malaysian Plantations, Hicking Pentecost, Longton Industrial, Shaw Carpets, TSL Thermal Syndicate, Jonas Woodhead.

Finals: Atlanta Investment Trust, Hunslet, Management Agency and Music, Reliant Motor, Trans-Oceanic Trust.

FUTURE DATES

Interims:

Anderson Strathclyde	Dec 12
Berkeley Group	Dec 11
Hampton Gold Mining Areas	Dec 17
Haslemere Estates	Dec 13
May and Hassell	Dec 17
Scottish and Newcastle Brew.	Dec 17
Warehouse	Dec 10

Finals:

GT (Asia) Sterling Fund	Dec 17
McLeod Russel	Dec 11
Sidlaw	Dec 13
Stakis	Dec 12
United Spring and Steel	Dec 14

COMPANY NEWS IN BRIEF

Turnover of John Finlan, building designer and constructor, more than doubled from £1.68m to £3.65m for the six months ended June 30 1984 but taxable profits fell to £68,539, compared with a previous £102,579. Earnings per 10p share were 1.25p (2.15p) and the interim dividend is effectively lifted to 1.8p (1.5p adjusted).

* * *

Lower pre-tax profits of £177,000 against £192,000 have been shown by Holden Hydroman for the six months to the end of September 1984, the first results since this specialised production engineer arrived on the USM. Turnover moved up from £1.52m to £1.97m.

The interim dividend has been recommended at 0.975p — the directors repeat their prospectus forecast of a total of not less than 3.25p. They express confidence in the future, but point out that industrial unrest in the motor industry may affect the year's outcome.

* * *

Including extraordinary income of £100,200, pre-tax profits of Gibbs Mew, brewer, showed an improvement of £10,100 to £496,600 for the six months to September 30 1984. The interim dividend is the same at 1.1p net.

Turnover totalled £8.34m (£8.66m) and after tax of £160,000 (£145,000) earnings per 25p share amounted to 4.2p (6.1p). The shares are traded on the USM.

* * *

C. H. Bailey, the ship-repairing and dry dock company, swung round from a loss of £538,000 to a pre-tax profit of £12,000 for the year to March 30, 1984. The surplus however, included an exceptional credit of £392,000 being a rates refund in respect of prior years.

* * *

Osprey Communications, investment holding company, turned in pre-tax profits of £69,330 for the half year to September 30 1984 on £660,448 turnover. The interim dividend is 0.5p net—a total of 1p has been forecast.

* * *

Spencer Clark Metal Industries made a pre-tax profit of £245,000 in the year to September 30 1984, against a £134,000 loss before. The dividend is restored—after a two year absence—with a 0.5p net payment.

The company expects a further advance in the current year. Turnover rose to £9.72m (£9.26m) and earnings per 20p share were 4.56p (2.67p loss).

* * *

Pre-tax profits of British Tar Products, bulk storage, chemical manufacture and merchanting concern, increased from £730,000 to £921,000 for the six months to September 30, 1984. Turnover rose to £13.61m against a restated £11.94m.

Basic earnings per 10p share improved from 2.32p to 2.68p. The net interim dividend is lifted to 1.2p (0.8p) and a final of not less than 2.3p (2.2p) is forecast.

* * *

Pre-tax profits achieved by West Country brewer J. A. Devenish rose 6.5 per cent, from £1.92m to £2.06m, in the year ended September 28 1984, and the dividend is raised from 10.25p to 11.5p net with a final of 9.25p. The current reorganisation is expected to produce a "good upturn" in trading profits in 1984-85.

* * *

Fairline Boats lifted pre-tax profits from £246,415 to £402,275 for the year to September 30 1984 on turnover up to £6.4m, against £5.2m. The current year has started well with strong demand for all models.

A final dividend of 1.5p (1p) raises the total from 1.75p to 2.625p net. Earnings per 10p share were ahead from 4.4p to 7.2p.

* * *

Taxable profits at Property & Reversionary Investments, moved ahead from £890,000 to £1.08m in the half year to September 30 1984, with total income rising from £1.29m to £1.53m.

The interim dividend is lifted from 1p to 1.25p net per share, with stated earnings at 2.2p (1.5p).

* * *

An increase in pre-tax profits from £265,000 to £296,000 has been shown by Windsor Securities (Holdings) for the year to the end of September 1984. However after a tax charge of £127,000, against a credit of £32,000, earnings per 10p share were shown as falling from 3.8p to 2.2p.

The directors say that profitability is being maintained and group finances are "very strong." A final dividend of 0.75p has been recommended, making a total of 1.25p, against a single previous payment of 0.75p.

* * *

Total income of Gresham House rose from £725,000 to £801,000 in the first half of 1984 and pre-tax profits were well up at £185,000, against £83,000.

Earnings per 25p share improved to 3.6p (3p) and the interim dividend is 1.4p net (same).

* * *

Pre-tax profits of Grainger Trust rose from £1.22m to £1.62m for the year to September 30 1984. Earnings per 25p share were 5.6p higher at 19.7p and the final dividend is raised to 4p net for a total payment up from 4.2p to 5.25p.

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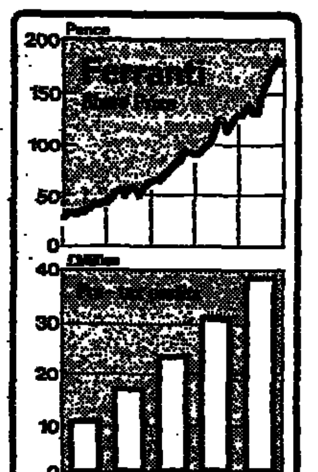
UK COMPANY NEWS

Ferranti ahead to £18.5m and order books 25% higher

TURNOVER of electrical and electronic engineer, Ferranti, rose from £207.2m to £252.8m in the half year to September 30 1984 and pre-tax profits were up to £18.5m, compared with £14.8m.

Earnings per 10p share are stated up from an adjusted 2.62p to 3p and the interim dividend is effectively raised to 0.52p net, against 0.44p after restatement for the subdivision of shares. Last year's total was equivalent to 1.32p.

The order book stands at a record level, up by over 25 per cent on the position a year ago. Notably, the company has been selected as the prime contractor for a new sonar to equip Royal Navy frigates.



Operating profits increased from £15.3m to £20.1m. Investment in improved plant and facilities was ahead 25 per cent to over £15m in the first half. In April, TRW Controls Corporation in Houston — now known as Ferranti International Controls Corporation — was acquired for almost US$10m. This company contributed $0.5m to the half-year operating result.

Net interest payable, less investment income, was up from £0.5m to £1.6m. Tax took £6m (restated £3.8m) and after minority credits of £0.4m (£0.3m) and preference dividends, the attributable surplus came out ahead from £11.2m to £12.8m, before extraordinary items.

In September, the small California based business, Spectrum Ceramics, was sold. The board says the market for its specialist products was developing more slowly than anticipated, with the result that the business was taking unacceptably long to move into profit. Its operating loss, included in the group result, was £0.5m.

See Lex

Process Systems of U.S. to get London quotation

BY WILLIAM DAWKINS

THE LATEST U.S. company to join the London stock market is Process System, Inc, a North Carolina-based maker of microelectronic control and recording equipment, which is staging an offer for sale of its shares.

Process Systems supplies the U.S. electricity supply industry with solid state recorders. These log the quantity and time of use of electricity consumption by individual customers. Data can be retrieved by telephone or hand-held microcomputers made by Process Control.

The recorders, which are designed to replace less efficient eletero-magnetic devices, are used to measure peaks and troughs of demand, thus helping utilities to determine rate levels, all of which have to be authorised by politically elected public service commissions.

Merchant bankers J. Henry Schroder Wagg have underwritten an offer for sale of 16m shares—29.8 per cent of the enlarged equity—at 92p each to raise £13.94m after expenses.

The U.S. directors and other shareholders are selling £8.8m worth of shares, and the balance represents new money for the company. Process Systems is capitalised at £49.4m at the offer price.

Net income has grown at an average annual compound rate of over 100 per cent during the past four years, and is forecast to rise from $1.5m (£1.25m) to $2.9m in the year to next June. De Zoete & Bevan are the company's stockbrokers. A full prospectus will be published on Monday.

Central & Sheerwood losses climb to £4.8m

EXCEPTIONAL losses of £4.26m have been reported by Central and Sheerwood resulting in a pre-tax deficit up from £415,000 to £4.79m in the first half of 1984. However, Lord Eden, the chairman, says that he is confident that most of the special action needed to deal with problems inherited from previous years has been taken.

He reiterates the view, made at the annual meeting last July, that the group will return to profitability in 1985.

Lord Eden says that the group position is likely to be "held steady" in the second half of 1984 although it is possible that some further provisions may have to be made in the period. In the last full year pre-tax losses came to £4.49m on turnover of £80.31m.

Results for the six months show the impact of "house cleaning" operations initiated by the new management team formed at the beginning of the year. At the trading level, profits came to £556,000 (£916,000).

The substantial figure for exceptional items included foreign exchange losses largely as a result of previous failure to buy dollars forward to cover payments for component purchases; major adjustments to stock valuation at Ransomes and Rapier; provisions on overseas debts and redundancy costs at White-Young; and losses on discontinued agencies at Photopia.

There is again no interim dividend—the last payment was a final of 0.3p for 1982-83. First-half losses per share are shown as 8.04p (1.06p).

The disposal of Trianco-Redfyre at the end of 1983 mainly accounts for lower group turnover of £37.59m against £40.02m. With Ransomes & Rapier virtually breaking even in the first half, Lord Eden says that White-Young—where special measures are in hand—was the only other subsidiary remaining in the group to show a trading loss.

A breakdown of trading profits and turnover shows: engineering £236,000 (£1.03m) and £30.85m (£33.28m); distribution £253,000 (losses £102,000) and £3.34m (£3.5m); printing and publishing £168,000 (£313,000) and £2.72m (£2.35m); financial services £329,000 (£20,000) and £988,000 (£890,000).

A further £1.16m in extraordinary costs included the cost of closing White-Young's unprofitable London operations and provision for Newton Chambers Engineering, leaving the attributable deficit up from £612,000 to £6.23m.

Nottingham Brick jumps 70% and calls for £1.5m

AT THE same time as announcing a 70 per cent lift in 1983-84 profits, Nottingham Brick is raising via a rights issue, £1.47m net of expenses, which will largely finance expenditure at the company's Nottingham factory.

The rights is on the basis of one new ordinary 25p share for every 7 ordinary held on November 28, at a price of 115p per share. The issue has been underwritten by Singer & Friedlander.

Pre-tax profits in the year to September 30 surged ahead from £1.05m to a record £1.79m, on turnover 23 per cent higher at £8.55m, against £7.2m. The first two months of the current year have seen a continuation of recent high levels of trading.

The directors state that the increased range of products from the company's three brick factories has achieved an improved market share in a largely static market.

After-tax profits rose from £753,000 to £1.05m giving stated earnings per share of 11p (7.9p). Adjusting for the scrip and subdivision of shares last February, the dividend total is lifted from 3.5p net to 5p, with a final of 3.5p. The directors intend to at least maintain the total on the increased share capital for the current year.

The company is currently installing plant with larger capacity at the Nottingham factory, at a cost of £440,000 and this installation should be completed by March 31 1985.

Because the directors believe there will be a continued growth in demand for the range of facing bricks produced at Nottingham and Thurmaston, they have decided to increase production further at the Nottingham factory. This will be by the construction of a fourth kiln and associated dryers, at a cost of some £1.75m.

The directors are satisfied that the company owns adequate clay resources at this site. It is intended that construction should start next summer and that the increased output resulting from this capital expenditure be sold through the existing sales structure.

● comment

Driven by bid speculation in a narrow share market Nottingham Brick's price has doubled this year. Even so yesterday's trading results lent some support to the recent trend. Though unquantified, volume growth must have been running fairly high for price increases have been more or less in line with inflation and Nottingham looks to have increased its share of the facing brick market which in turn is taking a larger proportion of the total brick market. Looking to the future the chairman's statement strikes a confident tone—though profits growth will be nothing like this 70 per cent—and the modest rights issue is being made for all the right reasons, to increase manufacturing capacity. So Nottingham appears as a solid, if relatively small, player in the building materials sector putting up a commendable performance. But it is arguable whether that should add up to its current premium rating—a p/e of 13.2 at 146p. Despite the speculation Nottingham is not that obvious a bid target and investors looking for the next move in the gradual concentration of power in that sector could do better to search elsewhere.

Fine Art trebles profits despite higher interest

Fine Art Developments, Britain's largest maker of greetings cards, has almost trebled taxable profits in the half-year ended September 30 1984, despite a much higher interest charge. Mr D. T. Barnes, the chairman, is confident of a satisfactory outcome for the year.

The midway pre-tax surplus was £462,000, up from £155,000, after a deduction for interest £820,000 higher at £1.91m. The improvement came on a substantial increase in turnover from £38.51m to £52.88m, generating operating profits nearly doubled at £2.38m against £1.25m.

The figures include, for the first time, the results of the Selective Group, acquired last December for £13m.

The interim dividend is maintained at 1.1p net per 5p share, with stated earnings per share rising from 0.198p to 0.535p. In the last full year, when the group doubled profits to £3.36m, the total payout amounted to 3p.

Trading continues to be buoyant in the current half, says the chairman.

Tax amounted to £115,000 (£39,000), leaving net profits at £347,000 against £116,000. The dividend will account for £713,000 (£643,000)

● comment

Given that Fine Art is not a company that gives much away in terms of information and that the greetings cards business is heavily biased towards the second half, it is extremely difficult to project accurately from these first-half figures. I f anything, they suggest that an otherwise buoyant trading environment is going to be offset by a hefty interest charge this year. For one, part of the consideration of the Selective acquisition was cash and the company has been stocking up ahead of the important Xmas season. The group has also been doing some quite substantial expansion at Early Learning, the other new acquisition. So, against the background of progress at the trading profit level, pre-tax profit may be little more than £6m, which will mean that profits will have recovered to 1980 levels. Here, the prospective multiple after tax at 28 per cent is over 12 fully diluted at 76p, down 2p—a rating which is clearly anticipating the longer term potential of the recent acquisition startegy.

Progress for Tate & Lyle in Canada

Tatae & Lyle's major Canadian subsidiary Redpath Industries, returned pre-tax profits of C$38.8m (£23.9m), compared with C$24.6m (£13.4m), in the year to September 30, 1983.

Profits after tax were $25.3m or $5.43 per share compared to profits after tax, but before extraordinary item, of C$14.8m or $3.19 per share.

The improvement reflects the elimination of the company's shares of 1983 operating losses of Zymaize and a lower overall provision for tax due to the application of investment tax credits.

Revenues were $372m ($305m). The decrease was directly attributable to lower world sugar prices in effect throughout the year.

The dividend per common share is being lifted from a quarterly rate of 30 cents to 37.5 cents.

The directors have approved the sub-division of the company's common shares on a three-for-one basis. This stock split will be effected in early March 1985, subject to ratification by shareholders.

Green light for Johnson Matthey deal

BY RAY MAUGHAN

SHAREHOLDERS in Johnson Matthey voted overwhelmingly in favour of the vital capital injection proposal at the metal refining and speciality group's extraordinary meeting.

Shareholders had been warned of the consequences of turning down the proposed £25m convertible preference share issue, particularly in the light of the continuance of the £250m standby loan facility, and accordingly the resolutions met no resistance on a show of hands and no objection worth name when the required poll was taken.

The Johnson Matthey board was able to give shareholders guidance as to whether they should subscribe to the issue, and the results of the subscription will probably not be revealed until early next week.

At the minimum, the holding of largest individual shareholder, Charter Consolidated, will be raised from 27.9 per cent to 33½ per cent and, at most, to 46. 12 per cent if all other shareholders turn the issue down.

Given the insistence of the institutional group, holding 28 per cent of the Johnson Matthey equity, that it should also have the right to subscribe at the equivalent ordinary share price of 56p per share, it is not expected that Charter will come out at anything like the top limit of its shareholding range.

Closely questioned at the meeting early yesterday morning, the acting chairman, Mr Neil Clarke, who is also chief executive of Charter Consolidated, was unable to give anxious private shareholders many detailed assurances over Johnson Matthey's future.

He said that "Johnson Matthey is profitable and has the base from which it can continue to be profitable. But it is dangerous to be confident." He felt that the group's revival will be accomplished, but warned that "it won't be a short or an easy task."

As to the negotiations with British Petroleum, which is seeking detailed information before deciding whether or not to launch a bid for the group, Mr Clarke said that talks have been continuing but the details required by BP from outside trading partners such as Rustenberg the platinum group linked very loosely with Charter through the Oppenheimer group of companies, has not yet been obtained.

It was not true, Mr Clarke maintained, that Charter had sold a single share in Johnson Matthey and he was fairly certain that none of the other South African companies connected with Oppenheimer had sold either, although he admitted that he had "no direct knowledge."

While Coopers and Lybrand prepares a "fundamental review of Johnson Matthey's strengths and weaknesses" and another firm of accountants, Thomson McLintock carries out a full enquiry into the events leading up to the sale of Johnson Matthey's failed banking subsidiary, the share price was exposed to further weakness yesterday and came back by 4p to 68p.

Similarly the Charter shares price gave up 13p to 187p and Charter's 67 per cent owned subsidiary Cape reacted further to the sale of its insulation businesses with a 10p drop to 37p.

Providence Capitol to sell its UK life offshoot

BY ERIC SHORT

THE U.S.-based Providence Capitol is putting its UK life company subsidiary, Providence Capitol Group, up for sale.

The company, in announcing its decision yesterday, revealed that it has received a number of approaches in recent months for selling its UK subsidiary. The final decision was taken in regard to the wide-ranging changes currently taking place in the UK financial services market.

S. G. Warburg & Co is being retained to advise on the sale and it revealed that the inquirers have included both UK as well as U.S. institutions. U.S. composite and life companies are showing a growing interest in the UK life market, which has been extremely profitable in recent years and has expanded rapidly.

Warburg is having an actuarial valuation of Providence Capitol Group undertaken by the consulting actuarial firm of Tillinghast Nelson and Warren and its report will be available to prospective purchasers in due course.

The company is roughly equivalent in size to Cannon Assurance which was sold earlier this year for just over £40m.

Providence Capitol Group was established 1968 as the life company arm of the old Slater Walker conglomerate. Since that broke up, the company has had a succession of owners — the latest, Providence Capitol, being formed by a management buy-out of the insurance interests of the Gulf + Western group.

Strong & Fisher NZ buy

Strong and Fisher (Holdings) have acquired for NZ$490,000 (£200,000) 49 per cent of the issued share capital of Clutha Leathers which was recently the only tanner of this product in the Pacific Basin. It is proposed to expand production with the assistance of Strong and Fisher Southland Frozen Meat Co.

BTH specialises in the manufacture of chamois leather from prime New Zealand sheep and is formed to acquire the assets and goodwill of Bayley Tompkins and Hedges of Dunedin, New Zealand, a wholly-owned subsidiary of Fisher.

Maxwell steps up pressure

MR ROBERT MAXWELL'S British Printing and Communication Corporation today stepped up the pressure in its £44.2m takeover bid for the games and packaging group John Waddington.

In newspaper advertisements it says that its cash offer is 9.4 times its own forecast of Waddington's earnings, based on "a tax charge of only 15 per cent." This is 10 per cent above the price earnings ratio on the average packaging and paper share, says BPCC.

On Wednesday Waddington forecast that pre-tax profits for the year to the end of March 1985 would "very substantially exceed" the £3.37m made last year.

BPCC today also challenged Waddington's executive directors to explain a recent revision of their own employment terms.

BPCC denied an earlier claim from Waddington that it debt/equity ratio would jump to 115 per cent after the acquisition. The figure will be below 50 per cent at the end of December, says BPCC.

The 500p a share offer closes on December 13.

Exco enters real estate financing via £8m deal

BY JOHN MOORE

Exco International, the money broking and financial services group, is buying a 40 per cent stake in Blackman Garlock Flynn and Co., a Californian real estate merchant banking firm, for $10m (£8.28m).

The U.S. company acts as an intermediary in arranging funds for property developments.

It brings together large outside investors, such as pension funds, with developers who are looking for finance. Since its formation in 1981 it has acted in over $2bn worth of deals. Its services include the underwriting and distribution of real estate debt and equity financing, real estate development, advisory, syndication and secondary marketing of mortgage finance.

Under the terms of the deal Exco is subscribing $10m in new equity and loan capital to the Californian company. The consideration will consist of $4m in equity capital with the balance in 12 per cent subordinated loan capital notes repayable in 1990/92.

Following the subscription, which is expected to be completed next month, Exco will own a 40 per cent interest in the enlarged share capital; the remainder will continue to be held by the existing owners.

Exco said yesterday that real estate financing "is one element of financial services in which we have not been involved. We are increasingly interested in establishing investment services in California or the Pacific basin area.

"We are already strong in New York and this will fill a gap geographically between New York and Tokyo."

Glynwed sells stake in South African loss-maker

BY CHARLES BATCHELOR

Glynwed International, the engineering and building products group, is selling Defy Corporation (Pty), its loss-making South African consumer durables subsidiary, in a deal which will raise £8m net.

The sale of Defy, in which Glynwed has a 74.2 per cent stake, will at the same time eliminate an overdraft of £23m, substantially reducing Glynwed's debt/equity ratio. Glynwed's shares rose 13p to 155p yesterday.

Glynwed has decided to retain the foundry and pressings division of Defy because this business is closely related to its UK foundry interests.

Glynwed has agreed to sell its Defy holding, excluding the foundry and pressings division, to Tek Corporation for £9.2m. At the same time the remaining 25.8 per cent stake of Defy which is owned by South African General Electric Company, will also be sold to Tek.

Glynwed will retain its stake in the foundry and pressings division and also buy GEC South Africa's holding for £1.2m to obtain 100 per cent control. This division will in future be operated as Falkirk Industries (Pty).

Defy made a pre-tax profit of £2.2m—including £850,000 from foundry and pressings—on turnover of £94m in 1983. The depressed state of the South African economy and high interest costs mean Defy will probably move into a loss of £2m-£3m this year, including a loss of £500,000-£600,000 on its foundry and pressing business.

AGI receives approach

AT THE same time as announcing a sharp decline in interim profits, the board of Aeronautical and General Instruments (AGI) has revealed that an approach has been received which may lead to an offer being made for the company.

AGI makes advanced telecommunications products and military and marine systems. The board is discussing the situation with its financial advisers, Brown Shipley and Company, and will make a further announcement as soon as practicable.

Pre-tax profits in the six months to end September 1984 tumbled from £345,944 to £46,166, on little changed turnover of £5.33m, against £5.25m. Mr J. A. Dearlove, the chairman, says the targeted increase in turnover did not materialise.

The company has been undertaking a major programme of product development. But the need for substantially increased research and development to achieve its objectives in selected world markets has, during the last 18 months, raised the burden of costs chargeable to profits.

In addition, there have been non-recurring start-up costs associated with AGI's European operations, from which substantial benefits are expected

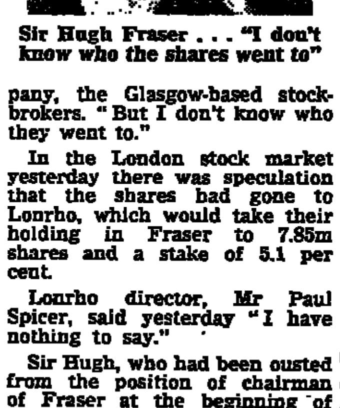
Sir Hugh Fraser sells 1.6m share block

By John Moore

SIR HUGH FRASER, the deposed chairman of the House of Fraser stores group, has sold a remaining block of 1.6m shares owned by the Fraser Foundation in the Fraser group.

The block of shares was sold earlier this week at a price of 300p per share in a deal worth £4.8m. The stake represents around 1 per cent of the share capital of the Fraser group.

Sir Hugh Fraser said yesterday that the shares had been sold through Carswell and Company, the Glasgow-based stockbrokers. "But I don't know who they went to."



Sir Hugh Fraser . . . "I don't know who the shares went to"

In the London stock market yesterday there was speculation that the shares had gone to Lonrho, which would take their holding in Fraser to 7.85m shares and a stake of 5.1 per cent.

Lonrho director, Mr Paul Spicer, said yesterday "I have nothing to say."

Sir Hugh, who had been ousted from the position of chairman of Fraser at the beginning of 1981, said that the Fraser foundation's stake stood at 2.84m shares six months ago.

"I have reinvested the money in Government sotcks, and shares such as BICC, Prudential, Dalgety, and other stocks. If I had been shrewder I would have sold the rest of the shares when Lonrho sold a block of 750,000 shares for over 300p last month."

Riley to close loss-making offshoot

Riley Leisure, whose main businesses are making snooker tables and running snooker clubs, is closing its loss-making furniture subsidiary, C. D. Pierce and Son.

Riley, which has reported sharply reduced interim profits for the six months to the end of June down from £1.43m pretax to £68,000, saidthat Pierce tax to £68,000, said that Pierce last three years, culminating in a loss expected to be about £200,000 this year.

Sales have kept falling to a level "at which it is not viable to continue trading," says Riley.

The Pierce business is being sold to Indefurn, a privately-owned company based in Colne, Lancashire. The closure costs, including redundancy costs and the loss on the sale of the business are estimated at £200,000.

Riley closed at 37p yesterday, down 1p.

* * *

Following its increased offer, Scottish Heritable Trust now holds 29.46 per cent of the ordinary and 11.98 per cent of the preference capital of Hoskins & Horton, and has extended the offers to December 13.

Now that London & Midland Industrials has made a rival offer, Scottish Heritable says it no longer considers itself bound by its previous statement that its revised offer and cash alternative were final and would not be increased.

* * *

Booker McConnell, through Booker Agriculture International (BAI), has acquired 80 per cent of W. & F. Fish Products for around £3.1m in cash. In a separate transaction, BAI purchased Wonderfood Investments, the sole asset of which is the freehold premises occupied by W. & F. Fish. The consideration was £0.4m cash.

W. & F. Fish is a leading quality fish curer based in north London. Its principal product, accounting for 95 per cent of turnover, is smoked salmon which is sold largely in the Greater London area to hotels, restaurants, caterers, retailers and delicatessens.

BAI is a wholly owned subsidiary of Ibec of New York, the holding company for Booker McConnell's agribusiness operations. Booker McConnell owns 80 per cent of Ibec and is seeking shareholders' approval to increase its holding to around 90 per cent.

* * *

LEP Group has agreed in principle to acquire 70 per cent in Ultrolab by subscribing in cash for new shares.

Ultrolab is based in Wirral and is involved in the marketing and distribution of medical scientific equipment and related supplies.

* * *

Platon International has acquired 75.1 per cent of the capital of Security Technology, a private company specialising in the development and manufacture of electronic equipment for communications and instrumentation. It has been renamed Platon Electronic Systems.

The link with Platon enables the company to undertake larger contracts and several are currently under negotiation in the range of £100,000 to £500,000.

Recovery at Wankie paves the way for dividend resumption

A RECOVERY in fortunes is paving the way for Wankie Colliery to return to the dividend list. But because of the need to retain profits to meet loan repayments of Z$11.3m (£6.5m) the Anglo American group's Zimbabwe coal producer is to defer consideration of a payment until results for the full year to February 28 are available.

Profits for the first six months expanded to Z$2.11m, equal to 5 cents per share, from Z$664,000 in the poor first half of 1983-84. Furthermore, the latest profit was struck after a sharply higher depreciation charge of Z$6.06m against Z$1.75m a year ago and interest payable of Z$5.21m compared with an interest credit last time of Z$93,000.

It is pointed out that as from March 1 this year the interest payable on money borrowed to finance the now completed opencast expansion together with depreciation of the new assets acquired are chargeable against profits.

Coal sales in the latest half-year rose to 1.29m tonnes from 1.08m tonnes in the same period of a year ago while those of coke increased to 99,756 tonnes from 90,605 tonnes.

Export sales were much better than expected mainly because some orders were not likely to recur. After allowing for the appropriate allocation of interest and depreciation these sales realised a profit of Z$1.5m.

Wankie passed its dividend in 1983-84—for the first time in many years—partly because of the need to meet loan repayments and partly because of the explosion at the new Hwange Power Station: Wankie's opencast expansion was designed to meet coal demand by the power station.

Sales of power station coal thus dropped to 119,000 tonnes in the latest half-year from a previously expected 597,500 tonnes.

However, the Zimbabwe Government has adjusted the price paid for Hwange coal so that Wankie's financial results will not be adversely affected by the reduction in sales.

Black miners go back to work at Rietspruit

THE strike that began on Tuesday has ended at the South African Rietspruit open-cast colliery in the Transvaal, jointly owned by Transvaal Consolidated Land and Exploration, part of the Barlow Rand group, and Shell South Africa.

About a quarter of the 1,000-strong black workforce had refused to go on shift in support of a wage claim that dates back to the annual round of negotiations in June this year. The men are all members of the black National Union of Mineworkers which had demanded an effective 60 per cent pay increase.

They returned to work after the management said that it was not prepared to modify its earlier wage offers and threatened to withhold the miners' pay if they did not go back. The mine exports 5m tonnes of coal a year.

Potash venture aborted

THE AGREEMENT for the U.S. Amax diversified natural resources group to lead a $350m (£289m) potash venture in Thailand appears to have been aborted at the last minute, reports Boonsong K'Thana from Bangkok.

It was to have given a 25-year concession to a consortium of Amax (50 per cent), Siam Cement (40 per cent) and the Thai Government (10 per cent).

However, the Thai Ministry and the Amax group have cancelled the signing of the agreement which was scheduled for today.

No official reason was given for the "indefinite" postponement of the signing, but it is believed to concern disagreement between the parties over certain benefits to b extended to the Government in addition to the latter's 10 per cent share in the venture.

Charcol deal to expand Abaco financial services

BY CHARLES BATCHELOR

Abaco Investments, the property and financial services group, is to take complete control of John Charcol, one of the largest independent mortgage brokers, in a deal which values Charcol at £2.84m.

Abaco bought a 20 per cent stake in Charcol last April and took out an option on a further 10 per cent. It yesterday announced it has agreed to buy the remaining 70 per cent for up to £2.17m and to exercise its option for up to £225,000.

Charcol has forecast a pre-tax profit of not less than £480,000 for the year ending December 1984 compared with £150,000 last year. Abaco made a pre-tax profit of £313,000 in the year ended June 1984.

Abaco aims to achieve a 50:50 split between its property and financial activities in the longer term and is currently engaged in talks which may lead to the acquisition of a general insurance broker. It is also considering moving into life assurance and pensions consultancy work.

Abaco emerged in 1983 from Greencoat Properties which had gone four years without a profit and eight years without a dividend. Brown Goldie, a new finance and investment company, was then injected into Greencoat by Mr Peter Goldie and Mr Cameron Brown, two former executives of merchant bankers Guinness Mahon.

Mr Peter Goldie, a director of Abaco, said Charcol, which arranged more than 3,000 mortgages worth £150m last year, would be able to refer business to Provincial Trust, formerly C. P. Choularton, the licenced deposit taker Abaco acquired last month.

Charcol has its headquarters in Knightsbridge and was set up in 1974 by Mr John Garfield and Mr Charles Wishart. It earns its income from commissions received in relation to insurance policies entered into when a mortgage is taken out and from fees paid by the borrower when no insurance is involved.

The company has links with a number of house builders.

Charcol recently bought two estate agencies in South London and has plans to establish more.

Abaco will pay up to £2.17m for the 70 per cent stake in Charcol comprising up to £310,000 cash and up to £1.86m by the issue of 13.28m shares priced at 14p. The precise payment will depend on Charcol's pre-tax profits in the year ending December 1984 up to a maximum of £500,000. The £225,000 payment for the 10 per cent under option will be made in cash.

Mr Garfield and Mr Wishart, joint managing directors, will continue to manage Charcol and will retain the Abaco shares for five years. Abaco shares rose ½p to 15½p.

GEC spend £69m on share buy-back

General Electric Company yesterday gave details of the market purchases of its own shares which it conducted on Wednesday, the first buy-back of equity by a major British company.

Stockbrokers de Zoete and Bevan bought 30.1m shares on its behalf at 228 1/16p each, representing 1.1 per cent of its equity and an outlay of £68.7m.

GEC, which had cash resources of £1.64bn before the buy-back, has shareholder authority to buy up to 250m shares, just over 9 per cent of its equity, and is allowed to buy a maximum of 10 per cent in any one year, including up to 5 per cent in open market purchases.

BANK RETURN

	Wednesday December 5 1984	Increase (+) or Decrease (—) for week
BANKING DEPARTMENT		
Liabilities	£	£
Capital	14,553,000	—
Public Deposits	98,438,707	+ 2,578,881
Bankers Deposits	872,126,557	— 283,590,601
Reserve and other Accounts	1,688,401,726	+ 116,508,427
	2,673,519,992	— 164,503,353
Assets		
Government Securities	392,881,961	+ 20,290,000
Advance & other Accounts	684,129,352	— 171,419,215
Premises Equipment & other Secs.	1,584,695,337	— 11,880,880
Notes	11,690,572	— 1,468,380
Coin	122 770	— 24,876
	2,673,519,992	— 164,503,353
ISSUE DEPARTMENT		
Liabilities	£	£
Notes issued	12,400,000,000	+ 220,000,000
In circulation	12,388,309,428	+ 221,468,380
In Banking Department	11,690,572	— 1,468,380
Assets		
Government Dept	11,015,10	—
Other Government Securities	1,881,415,463	— 390,770,804
Other Securities	10,507,569,437	+ 610,770,804
	12,400,000,000	+ 220,000,000

SECTION IV

FINANCIAL TIMES SURVEY

Bulgaria TRADE AND INDUSTRY

Moscow's closest ally benefits from political stability and strong economic progress which are enabling it to withstand the cold winds of world recession without a fall in its living standards

President Todor Zhivkov has been ruler of Bulgaria for 30 years and his hold on power is unquestioned

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Solid record of economic progress

By David Buchan

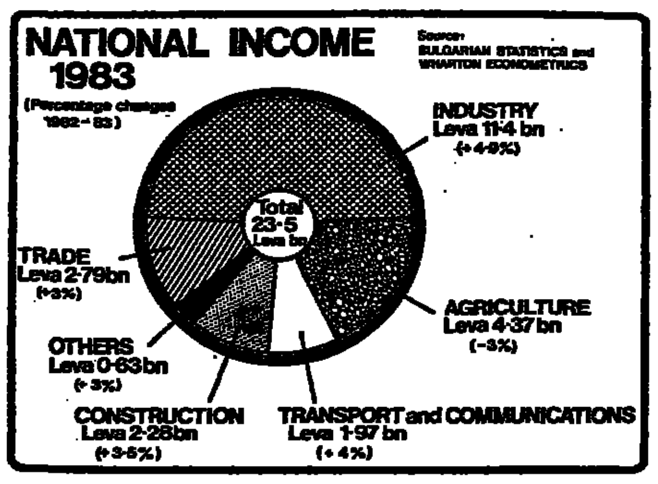
East Europe Correspondent

THE LOT of Bulgarians today seems generally a contented one. It is not just that they have a beneficent climate and country side to compensate for relative lack of raw material endowment. It is rather that they combine a sense of secure identity, political stability, and economic progress in a way that no other East European country does.

Unlike other East Europeans, Bulgarians generally have no hang-ups about their alliance with the Soviet Union. Well before Lenin's revolution, they looked to Mother Russia for liberation from the Turk. They won it in the 1870s, and there still stands in Sofia a statute of thanks to the "Tsar-Liberator" (Alexander II), perhaps the last remaining monument to a Romanov.

Bulgarians share cultural roots with Russians. Indeed, they are the Russian cultural root, in the sense that St Cyril was a Bulgarian and bequeathed to the Russians his alphabet. But this engenders no real sentiment of superiority—only the occasional "oneupmanship" that Bulgaria is Athens to the Soviet Rome, which is quickly tempered by ready acknowledgement of the very considerable material benefits derived from the Soviet Union.

That Bulgaria should be Moscow's closest ally seems natural to most Bulgarians. Recent events have reinforced this identification: Bulgaria was the first to join Moscow's boycott of the Olympic Games in the U.S. That decision was made all the easier by the fact that, to its citizens chagrin, Bulgaria has recently become better known in the West through allegations about involvement in plots against the Pope than through Black Sea holidays, wine and fork lift truck exports. So Bulgaria has come to share with the Soviet a perception of being treated as a pariah by many in the West.



Stability

The sense of political stability stems simply from the fact that Bulgaria has been led by one man, President Todor Zhivkov, for the past 30 years—the longest rule in Europe, excepting that of Enver Hoxha in Albania. Mr Zhivkov's hold on power, consolidated through permeation of the security apparatus as long ago as the mid-1960s, remains unquestioned. Speculation about potential crown princes rises and falls, and is quiescent for the moment, with the dismissal last autumn of Mr Alexander Lilov, who had been the politburo's chief ideologue.

At the same, ossification has not been allowed to set in in the hierarchy below the 73-year-old Mr Zhivkov. Perhaps partly because he wants no rivals, the President has regularly infused party and government with new blood. The average age of the politburo is below 60. A new member this year is Mr Chudomir Alexandrov, who doubles up in the government as first deputy to Prime Minister Grisha Filipov.

Only in his late 40s, Mr Alexandrov is typical of the younger breed of party technocrats—other examples are Mr Andrei Lukanov, the Moscow-born deputy premier and Mr Georgi Pirinski, the Brooklyn-born deputy trade minister—who seem intent on pursuing greater efficiency at home and opening the economy up to more trade. One does not think of detente particularly touching or changing Bulgaria, but it was the international relaxation of the 1970s that helped to bring these men to the fore.

In the economic field, Bulgarians may produce fewer industrial goods per head than East Germans and Czechs, and have less consumer choice than Hungarians, but they have a solid record of progress. Mr Lukanov can rightly claim that of all Comecon countries, Bulgaria has made the greatest strides "given its point of departure." In 1944 a Newsweek correspondent noted on a visit that the country had only 10 miles of paved road and barely enough electricity to light Times Square.

Since then—and Bulgaria is celebrating its 40th anniversary of communist rule this month—it has multiplied its gross national product by a factor of 14, industrial production by 84 and agricultural output by 3. Farming is still the economy's mainstay, employing 20 per cent of the workforce but producing 25 per cent of national income and exports. The capital-intensive "agro-industrial complexes," of which there are some 300 each cultivating an average 1,300 hectares, mesh in with the labour-intensive household plots, of half a hectare per family, to make Bulgarians well fed at home and the biggest food exporters inside Comecon.

New jobs

Yet, large numbers of people have left the land, which as recently as 1970 represented the livelihood of more than a third of the population. Most of their new jobs have come in industry, now employing 36 per cent of the workforce, with particular expansion in machine building, petrochemicals and—a far cry from foreign images of Balkan hewers of wood and drawers of water—electronics and robotics.

A further shift — into the service sector — is beginning to accelerate, as the retail network expands and tourism grows. Bulgaria is hoping to offset the recent decline in Western custom for its Black Sea summer resorts, catering for the recession-hit lower end of the holiday market, by developing Winter sports facilities. It has bid to host the 1992 Winter Olympics.

Unlike the rest of Eastern Europe, Bulgaria has been able, too, to weather the early 1980s without a drop in its standard of living. Indeed, for the first three years of this decade it recorded an average annual rise of 4.6 per cent in national income, 5 per cent in industrial output and 3.5 per cent in farm production. Last year, drought cut agricultural output and depressed overall growth figures, but trade and industrial output have been buoyant in the first six months of this year, showing increases respectively of 6.4 per cent and 3.7 per cent over the first half of 1983.

Equally, Bulgaria has no debt crisis because it has so little debt. According to Wharton Econometrics, the country's net hard currency debt stood at $1.2-$1.3bn by the end 1983, by far the lowest in the Soviet bloc. (Bulgarian officials give no hard currency reserve, debt or trade figures, declaring them "State secrets"; but they indicate these Western estimates are not far wrong).

In fact, Bulgaria has been steadily paying off its Western debt, which peaked at nearly $4bn in 1979, with the proceeds of its hard currency trade surplus. This surplus ran at around $600m a year in 1981-1982, but dipped last year to $460m, according to Wharton, chiefly because of payment problems in Iran, Iraq and Libya, caused by war and oil slump. These three Middle East countries account for over 60 per cent of Bulgaria's total exports to the Third World.

Bulgaria's finances are still comfortably padded and it has not had to borrow on the Euro-markets since December 1979. But it could resume borrowing in the next few years, if its hitherto strong trade surplus with the Middle East were to shrink and if Soviet oil shipments were to be cut further.

The Soviet Union is the natural energy supplier of Bulgaria, which has smaller fossil fuel resources than any of Moscow's other allies. In recent years the Soviet Union has favoured Bulgaria with more relatively cheap crude than it has needed domestically. The crude has thereafter been refined or processed petrochemically, netting Bulgaria a windfall gain of $2.2bn over the past three years, according to Wharton.

This era of Soviet energy munificence is coming to an end, even for ultra-loyal Bulgaria, as Soviet leaders made clear at the recent Comecon summit in Moscow. But officials in Sofia seem confident that their rapidly developing nuclear power programme, which already generates a quarter of Bulgarian electricity, will soften the impact of change.

Yet, if there is a hint of acknowledgement of Soviet favouritism over oil, Bulgarian officials put their country's undoubted success in intra-Comecon industrial specialisation down to their own foresight, and to hard work.

By luck or design, Bulgaria has carved out for itself sizeable niches in the Comecon market in such growth sectors as electronics, robotics, and electrical machinery. The way in which this specialisation can be used as a springboard on to the world market is impressively illustrated by Balkancar, the Bulgarian maker of fork-lift trucks and the world's largest.

Balkancar has consolidated its virtual monopoly hold on Comecon. It has persuaded the Soviets to forgo lift truck production of their own. On top of the 50,000 Bulgarian trucks they already buy each year, the Soviets have agreed to a steady increase in purchases until the end of the decade.

CONTINUED ON NEXT PAGE

BASIC STATISTICS

Population	9.1m (mid-1982)
Area	110,913 sq km
Net Material Product	23.5bn Leva in 1983
NMP growth	+4.2 per cent in 1982 +2.9 per cent in 1983
Estimated Gross National Product (including services)	$26-35bn
Exchange rate (August 1983)	£1=Leva 1.35

A shift from the centre

Economy

DAVID BUCHAN

GENERALLY SPEAKING, Soviet bloc countries dislike having their economic management changes described as reforms—because this might imply error in the past or—compared to one another—because this may show they are politically out of step with each other.

Bulgarian officials often exhibit these anxieties. They still formally call their reforms, with devasting blandness "the economic approach and its mechanisms," and are usually unhappy when outside observers try to situate their reforms in the spectrum between market-orientated Hungary and the still-orthodox Soviet Union. But perhaps they ought to relax more, because, as they explain it, there is a natural and national evolution to the reforms, which started in the 1960s but have only been in full effect since 1982.

The reforms reflect the fact that Bulgaria has reached what President Zhivkov calls "mature socialism." Or, as one of his deputy premiers, Mr Andrei Lukanov, explains, that while a high degree of centralism may be good in the early stages of industrial development, it can be downright bad in later stages.

Bulgaria is becoming a more complex economy and therefore intrinsically harder to plan from the centre, with a shift of the workforce from agriculture to industry and services. However, Bulgarian leaders have no intention of abandoning central planning. President Zhivkov said in 1981 that the new economic reforms were "to have nothing in common with the conceptions for the spontaneously functioning market mechanism."

This has proved an overstatement, made to some extent to ease the minds of conservatives inside and outside Bulgaria, and has since been somewhat overtaken by events. But there is also no compelling logic for Bulgaria to move as far as Hungary. Far more (78 per cent) of its trade is conducted inside Comecon than any other Comecon country.

Flexibility

The essence of the Bulgarian reforms has been to increase the decision-making powers of enterprises and to some extent workers, to retain without much diminution the strategic control of central planners, but at the same time to introduce some flexibility on wages and prices and inject a moderate element of competition into the economy. In more detail, the reforms include the following:

● Planning. Central planners have reduced the number of targets they set for individual enterprises to five—physical output, currency balances, investment allocation, technical innovation, material input and profit. If this still seems constraining, it is at least less so than in the past. Enterprises also have more say in setting targets through the "counter-plans" they send back to ministries.

A further decentralising move has been increased emphasis on the old Communist unit of the work "brigade" of which there are about 16 in the average Bulgarian industrial enterprise. The brigades, like the enterprise, also prepare their own "counter-plans."

But, at the same time, the central ministries still keep a monthly check of enterprise's plan fulfilment and reserve the right to take away resources or switch them to another factory, if an enterprise's expenditure appears to the Sofia bureaucrats to be ill-advised. This prompts the comment from one Western expert on the Bulgarian economy, Dr Marvin Jackson, that the central authorities still "seem to tolerate initiative at lower levels only if it results in what they would have told the lower levels to do anyway."

● Wages. Rules on pay are intimately bound up with measures to make enterprises self-financing. The discipline on a company to stop making losses and the incentive for it to start making profits is that wages are now a "residual" paid only after an enterprise has met all tax, depreciation, investment, debt charges.

New system

As a result, there is no longer a solid floor underpinning workers' wages, while there are some new ceilings on the rate of growth in wages. In 1982 for instance, the wage fund could not be increased by more than 0.5 per cent for each percentage point growth in an enterprise's total income, though there are extra bonuses rewarding productivity increases.

In practice, workers have had guaranteed an average 70 per cent of their total take-home pay, which has increased by 3-3.5 per cent a year since 1981. Thus, the new system of semi-flexible wages has not yet been tested by bad economic times, because the Bulgarian economy has stayed fairly buoyant throughout the first half of the 1980s. In edition, despite all the talk of financial self-sufficiency, enterprises making goods for export and basic consumer needs still seem to be drawing hefty subsidies from the central state budget.

● Prices. The reason why sizeable state subsidies continue is that the prices of basic foods and consumer goods, energy, raw materials, and transport are still tightly controlled by central planners. But the prices of an increased number of other less essential goods and services are now determined by "free negotiation" between wholesaler and retailer, or producer and marketer. Bulgarian officials do not admit they have inflation as such, but price adjustments are now part of the regular annual planning cycle, with planners keeping an eye also on international trends. If domestic prices of internationally tradeable items diverge by more than 5 per cent from world prices, then adjustment is supposed to take place. This is one of the ways in which Bulgarian producers are to be brought into closer touch with the international market.

However, pricing policy remains complex, with seven categories of goods all treated separately. Mr Chudomir Alexandrov, the first deputy prime minister, says no "free play of prices" will be allowed, partly for fear of political and social repercussions. Thus so far pricing remains one of the weaker aspects of the reforms.

● Investment. Enterprises, under the reforms, are now freer to choose their own investments into which to sink their own money, but more than half of all investments, 50-60 per cent, is still financed either direct out of the central state budget or by credit from the National Bank and Foreign Trade Bank. Interest rates, currently ranging from 2 to 15 per cent, are playing a somewhat bigger role in allocation of credit. But they are not a neutral mechanism. Mr Vesselin Rankov, first deputy president of the Foreign Trade Bank, says that interest rate rebates are given to those enterprises which overfulfil their export targets, a 3 per cent rebate for companies producing extra goods for the Comecon market and 15 per cent rebate for those selling additional goods for hard currency outside Comecon.

Where there used to be a uniform interest rate for Bulgarian enterprises, now the more successful companies pay less interest and the weaker enterprises more. Thus to some extent, the bankers are taking over from the planners the job of supervising Bulgarian industry and setting rewards and penalties.

● Competition. This is not a dirty word in Bulgaria. Ministers see the advantage of some limited competition, both to increase the variety and quality of consumer goods, particularly and, more generally, to prevent some enterprises earning the monopoly profits about which Mr Grisha Filipov, the prime minister, has complained.

The old barrier between the producer and the market is being chipped away at. Manufacturing enterprises and agro-industrial complexes may now open their own retail outlets, and these are proving popular with customers. The Government estimates that one third of all light industry goods will be sold through these producer-owned retail shops next year. Some wholesale trading organisations are being allowed to move in the opposite direction, by starting up production plants.

Under pressure

In the international arena, the old-established foreign trading organisations (FTOs) have come under some competitive pressure. More manufacturing enterprises are being allowed to start up their own trading organisations, joining the few really big manufacturers such as Balkancar which have long had this right. Another trend is group ownership by producing companies of FTOs.

Limited though the Bulgarian reforms may be, they have naturally provoked some resistance. Ministers have complained about some bureaucrats preferring the old-style "administrative" approach to the new "economic" one, and riding rough-shod over the new rights of enterprises and workers. Nor are the reforms probably responsible for any measurable macroeconomic increase in output or exports. But original reforms can only produce gradual results.

TRADE AND CURRENT ACCOUNT BALANCES
($m)

	1980	1981	1982	1983
Trade balance	*+983*	*+651*	*+645*	*+595*
Current account balance	+587	+183	+399	+585

Source: Wharton Econometrics.

Solid progress

CONTINUED FROM PREVIOUS PAGE

At the same time, Balkancar wants to buy into existing West European manufacturers to expand its market there. Its bid to buy control of a leading French firm was rebuffed last year—for essentially political reasons, Balkancar believes; but the Bulgarian company is convinced that it is now too powerful a force to be long ignored.

Bulgaria is also seeking inward investment to expand trade with the West. But so far only a handful of foreign companies have taken advantage of its 1980 law allowing the creation of joint ventures (with possible majority foreign ownership, but under a Bulgarian-controlled board). Most of the arrivals have been from Japan, which happens to have closer trade ties with Bulgaria than with any other country in the region.

Generally, Western companies do not see Bulgaria's Comecon penetration as significantly helping to expand the small Bulgarian market of 9m people. Another undoubted factor is the political climate. The first significant impact of the West's new tighter strategic trade controls has been to quash Bulgaria's attempt to buy a new Western-made telecommunications system.

Yet, ironically, Bulgaria's current economic reforms should make it easier for Western companies to do business wit it. The main aim of these changes (see separate article) is to devolve more decision-making responsibility on enterprise managers and their workforces (with central planners still retaining overall control), and to link the Bulgarian producer more directly with his home and foreign markets.

This will not turn Bulgaria into another Hungary, for the Zhivkov government sees no role for private enterprise ownership or finance, and only a limited function, as yet, for the price mechanism as an allocator of resources. But it may have the broader effect, as some ministers in Sofia believe, and even hope, of encouraging some decentralisation of political power.

Mr Andrei Lukanov, a deputy prime Minister since 1976. Above (right) Mr Chudomir Alexandrov, promoted in the January 1984 reshuffle to be first deputy to Prime Minister Grisha Filipov

PROFILE: CHUDOMIR ALEXANDROV

Managerially-minded politician

WHEN Mr Chudomir Alexandrov was promoted, in the January 1984 reshuffle, to be first deputy to Prime Minister Grisha Filipov, there was an accompanying development, less noticed at the time, but a significant indication of the changing role of central government in the Bulgarian economy.

Several ministries were merged into two new ones with broader responsibilities: the ministries of energy and natural resources, and of production and trade of consumer goods.

The move reflects the fact, Mr Alexandrov says, that ministries are now giving enterprises more freedom in day-to-day planning and management, retaining only an overall strategy function. Less detailed supervision requires fewer bureaucrats and fewer ministers. The first deputy prime minister admits that the logic of this change will bring Bulgaria nearer to Hungary (which has only one industrial ministry) than to the Soviet Union (which still has dozens).

This reduced role for central government might seem a disappointment to a man in his late 40s just promoted high in it—a man who started out as a mining engineer but has built his career as a communist party administrator, both in the central committee and heading regional organisations in central Stara Zagora and, most recently, in the capital, Sofia.

But Mr Alexandrov sees the change as an essential part of the economic reforms. "The means of production of this country belong to the people, as represented by the state. Local enterprises and collectives do the managing, while the state's role as owner is to set certain conditions." Chief among these conditions is to ensure that enterprises stand more on their own financial feet, and that wages and prices reflect efficiency and quality.

Essential part

Mr Alexandrov, who is perhaps the most prominent member of Bulgaria's young managerially-minded politicians because he is also a full member of the politburo, stresses the need for greater competition in the economy "within certain limits." Competition is useful, he believes, in light industry and consumer goods production to achieve larger variety and better quality, but less so in heavy industry where a country like Bulgaria does not have the resources to duplicate big capital investments.

Equally, he injects a note of caution about pricing policy. Bulgarian prices need to take international price trends into account, since so much of national income (80 per cent, he says) derives from trade. But most of this trade is done with Comecon where prices are negotiated government-to-government.

"Free play of prices should not be permitted, because it can lead to political and social pressures," says Mr Alexandrov, evidently mindful of his broader responsibility in his new job. He notes that in 1979 prices were raised considerably, but so were wages.

Indeed some of the ambiguity in Bulgaria's economic reforms is clear from Mr Alexandrov's remarks on income policy. On the one hand, he says, "we suffer at present from a certain equalisation in wages, and we welcome larger differentials where justified. If skilled workers get more than managers, good luck to them." On the other hand, "we are trying to increase the pay of the lower paid," Mr Alexandrov says, with for instance, increases in pay for teachers and in allowances for pensioners and young parents starting on September 1.

David Buchan

PROFILE: ANDREI LUKANOV

Youthful zest for trade

RELATIVELY young men find it easier to rise to the top in Bulgaria than in any other Soviet bloc country, and one of the clearest illustrations of this is the career of Mr Andrei Lukanov, still only 46 but a deputy prime minister since 1976, and a candidate politburo member with special responsibilities for foreign economic relations.

Perhaps youthfulness, too, plays a part in the buoyant outlook that Mr Lukanov takes towards trade inside and outside the Soviet bloc. Born in Moscow (where his father was ambassador) and partly educated there, he has been Bulgaria's permanent representative to Comecon, and is in no doubt about the benefits from Comecon. "Bulgaria is or was the least developed Comecon member—a classic developing country—and its progress has been the most striking, given its point of departure," he says.

He is bullish that the recent Comecon summit will help Bulgaria further, not only by greater general co-operation on energy (nuclear reactor construction, uranium exploration, oil and gas exploitation and transportation), but also by allowing Bulgaria to specialise further in telecommunications, electronics and some areas of machine building.

At the same time, however, Mr Lukanov who gained wider trading experience during his mid-1970s stint as deputy foreign trade minister and speaks excellent English, says he would like to raise the share (currently 22 per cent of trade) that Bulgaria does outside Comecon. He points out that some smaller EEC members do even more intra-EEC trade than Bulgaria does with Comecon.

Buying companies

Bulgaria is flexible on inward and outward investment in order to enhance trade. Alone among Comecon countries, it has shown an active interest in buying Western manufacturing companies: two years ago it bought a West German engineering firm, while last year it tried but failed to get control of a French forklift truck business.

"We will still examine other cases on their merits," Mr Lukanov says. Like some other Comecon countries, Bulgaria permits joint ventures, though relatively few Western firms have yet made any direct investments. Mr Lukanov does not in fact see these sort of direct investments, in either direction, as the main means by which Bulgaria can increase trade with the West.

The prospect of increased Bulgarian-Western trade will be influenced by broader considerations. But new and stricter technology export controls by the West "reduce significantly the possibility of economic co-operation and poisons the political atmosphere," Mr Lukanov says. "But the Western policy will not succeed, because scientific achievement cannot be locked away in a cell," he adds. "It is also short-sighted because this sort of policy accelerates development inside Comecon."

The deputy prime minister is also enthusiastic about Bulgaria's economic management reforms because "they create more democracy in the economy, and through that, more democracy in political affairs." When smaller enterprises or workers brigades get more decision-making autonomy, "they not only take more interest in the fruits of their labour but are also expressing their basic civil and human rights in the most important sphere."

The party and central government are, Mr Lukanov says, trying to "promote more political democracy by using Parliament more and transferring more decisions to local government and to officials elected rather than appointed."

D. B.

Technology and rockets boost the harvest

Agriculture

LESLIE COLITT

"THERE IS no poorer country than one which does not have a developed agriculture," according to Mr Javcho Rusev, deputy president of the National Agro-Industrial Union. In Bulgaria, with its strong farming traditions, agriculture remains the basis of the economy and this lesson has been firmly observed. Though in the post-war period the country went through forced industrialisation it did not neglect agriculture.

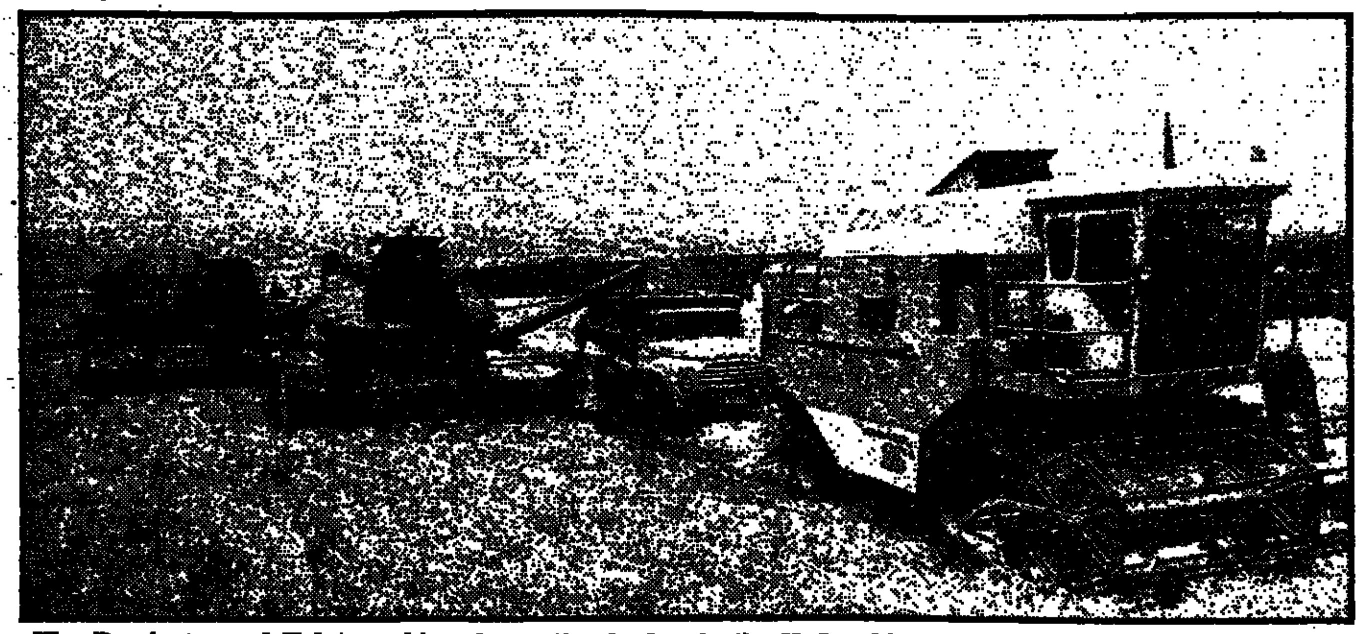
As a result, Mr Rusev argues, Bulgarian farming is "relatively advanced," compared with its neighbours—Romania, Yugoslavia, Greece, and Turkey, and even the Soviet Union which lies just across the Black Sea. In 1960 wheat yields in most Balkan countries were similar, but now, Bulgaria claims to be able to produce 100 kilogrammes more wheat from 10 hectares of land than the others. The same is true of tomatoes and grapes.

The Georgi Dimitrov farm outside Plovdiv is so big that it needs a computing centre to keep track of crops on its 31,000 hectares, as well as of the earnings of its 12,000 farmers. It launches rockets to break up clouds which threaten to unleash hailstorms that used to cause millions of dollars in damage to crops.

Computer centres

The farm is actually an agro-industrial complex (AIC) formed in 1978 by amalgamating several co-operative farms and vertically merging them with food processing plants and farm machinery stations. AICs, which were begun in the early 1970s, now account for well over 75 per cent of Bulgarian farmland. Even the Ministry of Agriculture has been renamed the National Agro-Industrial Union.

The Georgi Dimitrov AIC, named after the idolised late Bulgarian Communist leader, is one of the largest in the country, while the average AIC has decreased in size from 21,000 to 13,000 hectares.



Klas Dominator and Kolos combines harvesting barley in the V. Levski agro-industrial complex near Hissar

In addition to farmers, it employs 8,000 canning workers and 6,000 people in equipment maintenance, transport and construction.

Fruits and vegetables are mainly grown. Rainfall this summer has been adequate and a good crop of golden and red apples is expected. The farm is 85 per cent irrigated, compared with a much smaller percentage on other Bulgarian farms.

Last year, Bulgarian agriculture was badly hit by the drought in the Balkans, which led to an undisclosed drop in farm output below the 1982 level. An official report said less wheat, sunflower seeds, sugarbeets, tomatoes and grapes were produced than in 1982, while there was an increase in fruit, early vegetables, and some fodder crops. Meat production was 3 per cent higher than in 1982.

Because of the drought, Bulgaria was able to export only 100,000 tonnes of wheat last year, whereas normally it sells between 400,000 tonnes and 500,000 tonnes of wheat abroad to international grain companies on three months' delivery terms.

Bulgaria's exports to Comecon markets—mainly the Soviet Union, East Germany and Czechoslovakia—consist of meat and meat products, fresh and canned fruit and vegetables, cigarettes and dairy products. They are used to obtain in return energy and raw materials from the Soviet Union.

As energy prices rise, agricultural prices are also expected to go up, because energy makes up 40 per cent of costs in some agricultural areas.

Agreement in principle with the other Comecon countries was reached at the June Comecon summit conference in Moscow, according to Mr Rusev, on future joint investments in agriculture. These could take the form of investments in modern irrigation systems for Bulgaria, which would allow it to produce two crops in a growing season.

East Germany, for example, would be able to get more fruits and vegetables this way. Bulgaria is also interested in exploiting the skills of its experienced personnel on joint projects such as the growing of citrus fruits, tea and coffee in Cuba. It is also possible that several Comecon countries could link to build freezing plants for fruits, vegetables and meat.

Food exports are Bulgaria's second most important source of hard currency, earning the country some 22 per cent of its convertible currency earnings. Sales to the European Community have fallen because of its quotas, but new markets have been opened for Bulgarian frozen and canned fruits and vegetables in North Africa, the Middle East and Japan.

Negotiated prices

Prices offered by buyers in Western Europe are seen as too low, and exports have thus been concentrated on the "stable" socialist market, where prices are negotiated years in advance.

Private plots of up to half an hectare exist for the use of Bulgarian farm families and are estimated to produce up to a quarter of farm output. While their contribution to food supply is acknowledged, Government policy is that the "personal sector" must remain an appendage of the socialist economy, under close state control.

The family plots concentrate on growing labour-intensive crops, such as strawberries, cherries, and other berries. The first tomatoes of the season and early lettuce also normally come from private plots, which produce milk and meat in addition and largely for their own use. One-fifth of Bulgaria's meat output also stems from the same source.

Mainly retired people and students worked on the private plot at the Georgi Dimitrov farm according to its director of economic planning Mr Georgi Nenkov. The farm has contracts with the private producers under which they obtain lower priced seed and fodder and then sell the output to the farm.

The private plot producers can also sell their produce at private markets in the towns, but Mr Nenkov said they earned "double" by selling to the co-operative. Selling the output themselves, he explained, meant transporting their produce to the private markets, paying for the rental of a stall, and assuming the risk of not being able to sell everything.

Eighty per cent of the output of the private plots on his farm are sold to the AIC. Factories and other institutions, including the armed forces, have been encouraged to grow much of their own food on auxiliary plots of land and are apparently doing so with some success. The gardener lies fairly close below the surface in most Bulgarians.

At the Georgi Dimitrov farm's air-conditioned computer centre, information on daily work performances and the state of crops flows in from regional bureaus, which process information from some 36 branches. Part of the information is fed back to the regional centres for accounting purposes, using East German Robotron computers and the Bulgarian Uzoms. During the winter unused data processing capacity is leased to outside companies, which provide one-quarter of the operating costs.

According to Mr Nenkov farm employees can earn as much as 50 per cent more than their colleagues, if they exceed the plan target by a certain amount. If they drop below the target, 10 per cent is deducted from pay. The average annual wage is only 2,400 leva (the same amount in dollars at the official exchange rate) but employees receive double that amount in benefits, such as free produce, free medical treatment, and 30-days paid holiday. They can also qualify for a home building loan of 12,000 leva at 2 per cent interest with 25 years to pay.

Celebrating the commissioning of the fourth coke furnace battery at the Leonid Brezhnev iron and steelworks near Sofia. Soviet specialists took part in the construction of the new plant which will provide 650,000 tons of blast furnace coke a year

Hardly a stampede

Joint ventures

DAVID BUCHAN

BULGARIA WOULD LIKE to have more Western investment in the form of joint ventures. But officials in Sofia recognise that the response to their 1980 decree permitting joint ventures has been lukewarm, partly due to objections to some aspects of the Bulgarian law, and partly due to general political and economic factors.

Thus, industrial co-operation agreements, rather than joint investment, are seen as the main vehicle for closer business ties between Bulgaria and capitalist countries.

So far only four joint ventures have been set up: with Fanuc of Japan for development, manufacture and sale of industrial robots; with Mitsukoshi and Maruichi Soji of Japan for production and sale of consumer goods; with Tangra of Switzerland for making pens; and with Dow Chemical of the U.S. for chemical manufacture.

This is hardly a stampede, though other possible ventures are under discussion. The Bulgarian law, or Decree 535 as it is better known, does not exclude any sectors (except defence) from foreign investment. But it expressly mentions "production, scientific-technical (research), engineering, development marketing and other kinds of activity in the area of industry, agriculture, construction, commerce, transport, services and tourism."

The main points about Decree 535 that potential investors in Bulgaria might bear in mind are:

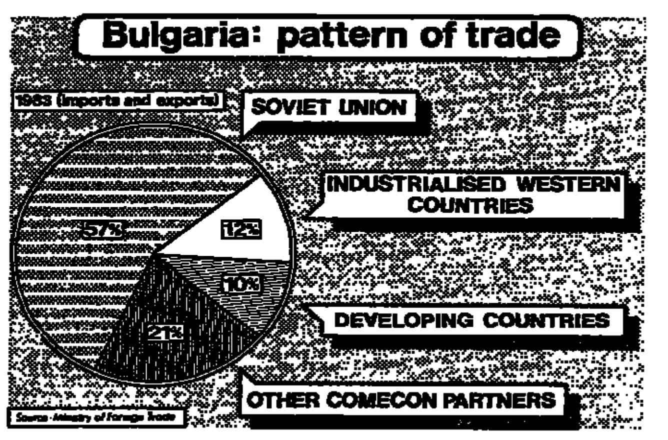
● Equity. Foreign equity may be in cash or in kind, such as plant or machinery, materials, know-how, and is not limited to 49 per cent of a joint ventures capital, as in most other East European countries which allow foreign investment. The general Bulgarian feeling, however, is that contributions from the two sides should be roughly equal and commensurate with the joint company's scale of operations.

● Management. The overall running of a joint venture is the responsibility of a management board, whose chairman must be a Bulgarian and whose decisions must be unanimous. This considerably dilutes any management advantage which a Western company might hope to get from taking a majority stake. The chief executive director must also be a Bulgarian, though in both cases their deputies would be expected to be nominated by the foreign partner.

● Tax. The foreign partner's share of the profits is taxed at 20 per cent if it stays in Bulgaria, and at 30 per cent if it is transferred abroad. Joint venture companies can also import most capital goods and materials without customs duties. Foreigners working for a joint venture in Bulgaria are subject to income tax of 14 per cent and, if they have no children, to the so-called "tax on childless persons" of 5-10 per cent. After that, foreigners can transfer half of their net earnings out of the country without paying any further dues.

Obviously, potential investors have to size-up whether these arrangements suit them. Equally, however, other broader factors come into play, such as the relatively small proportion (22 per cent last year) of trade which Bulgaria does outside the Comecon area, and the recently tightened restrictions on certain kinds of Western technology which can be sold to the Communist bloc. Clearly, the times are not propitious for setting up joint ventures in electronics and computers, which are considered strategically sensitive by Western governments.

But Bulgaria has a large number of industrial co-operation agreements, some 190 in total, with Western firms. Its biggest single partner is West Germany (notably with Siemens, Bosch, Krupp, Thyssen, and Daimler Benz), followed by Italy (Fiat and others), France (Renault, Creusot Loire, Alsthom Atlantique), Japan (Toshiba, Kobe Steel, Fanuc) and Britain (Plessey and Perkins).



Investment targets already reached

Machinery/Electronics

PATRICK BLUM

THE INK had scarcely dried on the final communique from the Comecon summit held in Moscow last June than a high-level Soviet delegation headed by Mr Aleksei Antonov, deputy chairman of the Soviet Ministerial Council, and including four ministers dealing with industry, arrived in Sofia to iron out details of Soviet-Bulgarian industrial co-operation for the next five-year plan.

At the end of the visit, the first of its kind after the summit between the Soviets and one of their Comecon partners, several agreements were signed on co-operation in machine building, electronics and automation.

The visit must have been gratifying to the Bulgarians who had high expectations about the summit and it provides a measure of the close ties that exist between the two countries. This is especially true in two areas: energy and machine building.

Larger share

Bulgarian hopes of a larger share of intra-Comecon industrial co-operation appear to have borne fruit: Bulgaria's production of machinery and electronics during the next five-year plan is to be considerably expanded, with some branches doubling or trebling output. The larger part of the additional output will go to the Comecon area.

The Soviet Union is already by far Bulgaria's most important trade partner. Of exports of machinery and equipment worth Leva 5.7bn in 1983, between 50 and 60 per cent were to the Soviets. In 1983 Bulgaria netted a Leva 1.6bn surplus in its sales of machinery and equipment to the Soviet Union. Soviet-Bulgarian co-operation, however, extends beyond trade to major engineering contracts and Soviet technical assistance to the young Bulgarian industry.

Soviet help has played a considerable part in the rapid development of Bulgaria's *machine building industry* which in the Bulgarian definition includes electronics as well as industrial robots, machine tools and mechanical engineering.

"We aim to do in 20 or 30 years what other nations have done in 100 years or more," says Mr Mihail Bozarov, vice-minister of machine building and electronics.

In the first three years of the current five-year plan (1981-1985) machine building has grown at an annual average rate of 10 per cent, twice the rate for industry as a whole.

The plan was "rather ambitious," but targets will be met and will be overfulfilled in some branches, Mr Bozarov says. By 1985, the plan's final year, production will have gone up by over 60 per cent.

About one third of the Leva 9-10bn invested in industry will have gone to machine building — with heavy industry taking over 30 per cent, and electronics and computers about 16 per cent. Investment targets for the period have already been reached and the ministry is now providing additional funds.

Figures for the first quarter of this year continue to show high growth for machine building: overall industrial production rose by 3.3 per cent compared with the same period in 1983, while output for the machine building industry rose by 10.1 per cent, according to the Chamber of Commerce and Industry.

The high technology sectors grew at an even greater pace: the *production of machine tools* including computer controlled units rose by 66 per cent, as did the production of industrial robots and manipulators. The production of programmed digital computer equipment for operating robots and manipulators rose by 30 per cent. But while the percentage increases are high, actual numbers are still moderate. In the first three months of this year 200 high capacity machine tools, 252 industrial robots and manipulators and 227 computer controls were produced. But these sectors will see significant expansion in coming years.

Within the Comecon area Bulgaria is aiming at a larger share of the market both in traditional products as well as in the new high technology sectors.

"We are a major supplier of electric and diesel vehicles, of fork lifts, conveying and storage equipment for factories, of machine tools, as well as of electronic and telecommunications equipment. Production will be intensified in all these branches and in some of these we will double or treble capacity." Mr Bozarov says.

Long-term security

To meet such ambitious targets overall industrial investment will be increased by 40 per cent in the next plan with an emphasis on improving quality, productivity and efficiency.

"We're not going to invest in more production capacities but in *intensifying* production, using new technologies, and in improving the quality of our products."

With near 60 per cent of their trade with the Comecon, Bulgarians shrug-off western restrictions on trade with the Eastern bloc. "It's like the rain, we have to live with it. Of course it has caused some problems . . . but on the whole we have managed to satisfy our needs through our own production and through co-operation with the Socialist countries. The strong integration with the Socialist countries in high technology allows us to cope and we have no serious problems," Mr Bozarov says.

Bulgaria's share of intra-Comecon trade is far higher than for other Comecon members but this has not restrained its appetite for co-operation with western firms. Economic integration within Comecon acts as a safety net guaranteeing markets and allowing Bulgarian companies to experiment with foreign ventures which they actively seek to establish in the West whether on a joint venture basis or simply by taking a stake or buying up existing companies, a *practice* unique among Comecon countries.

Bulgarians believe that they will continue to enjoy good business relation with western companies including U.S. ones regardless of the deterioration in the international political climate between east and west. "Business is business," state company officials say.

The unsuccessful attempt last year by Balkancar, the fork lift truck maker, to get an equity stake in Fenwick Manutention, the French manufacturer of fork lifts now in receivership, has not discouraged Balkancar which is still looking fo western partners.

Balkancar already has joint ventures with Irion, Technip of France, and Technipetrol of Italy. It has more than a dozen western licences, most of them for component manufacture as with Bosch for electric motors, Plessey for hydraulics, ZF of West Germany for steering, and, since last year, with Steyr-Daimler-Puch of Austria for completed modular buses.

Within Bulgaria's borders Fanuc Machinex, a joint venture for servicing robots between Fujitsu Fanuc of Japan and the Bulgarian trade and engineering company Machinoexport, was one of the first to be set up under Decree 535 of 1980 which permits joint companies in Bulgaria. As yet few western companies have taken the plunge and set up production in Bulgaria but Bulgarian companies have had more success in tie-ups outside Comecon.

Machinoexport, one of Bulgaria's foremost companies with an annual turnover of near US$1bn, has established several partnerships with western companies. It has an engineering partnership in Tokyo, Atlas Engineering, with Kobe Steel, C. Itoh, Mitsui and Toshiba, a venture with GKN contractors, Balkan-British Engineering, for projects in third countries, and a wholly-owned manufacturing company in West Germany, Roeperwerke Maschinenbau, as well as trading companies in Italy, France, West Germany, Greece, Norway and Singapore.

Telecom, a trading and engineering company specialising in electronics and telecommunications with an annual turnover of about US$500m and exports worth US$420m, has been equally active in seeking links with western companies. It produces telephone exchanges under licence from Siemens of West Germany, micro-processors and exchanges under licence from Kapsch and Sat Schrack, both of Austria, and it has agreements with Sweden's L. M. Ericson and Cit-Alcatel of France. Mr Nikola Monov, Telecom general director, says the company has not been affected so far by western restrictions on technology transfers: "We have just signed a number of contracts with western firms. The U.S. embargo will not affect us because our business is mostly orientated towards the Comecon and the Soviet Union," he says.

Strong integration

Between 70 and 80 per cent of both companies' exports go to the Comecon with the Soviet Union taking by far the largest share, a situation typical for many Bulgarian companies. Officials say that Bulgaria's strong integration within Comecon and access to the vast Soviet market provide additional opportunities for western firms. They also argue that Bulgarian companies can offer western partners long-term security and that this is especially attractive at times of uncertainties in international markets. A strike-free environment and investments guaranteed by the state are added bonuses.

The possibility of western financing in specific sectors is also left open. "We would be mostly aiming at drawing loans or credits for some technologies and licences or specialised equipment. We wouldn't make funds on raw materials which wouldn't give a return on investment," Mr Bozarov says.

In line with the reforms introduced as part of the new economic mechanism in 1980 individual companies have been given more independence and responsibilities. The reforms has opened the possibility of some competition between companies but so far this has been limited to light industries. Key sectors in heavy industry, machine building and electronics remain under tighter ministerial control but the process of reforms will continue, Mr Bozarov says.

Tuning the hand of a Pirin gantry manipulator produced at the metal-cutting machines plant in Sofia

How Western trade curbs can prove beneficial

Robots

DAVID BUCHAN

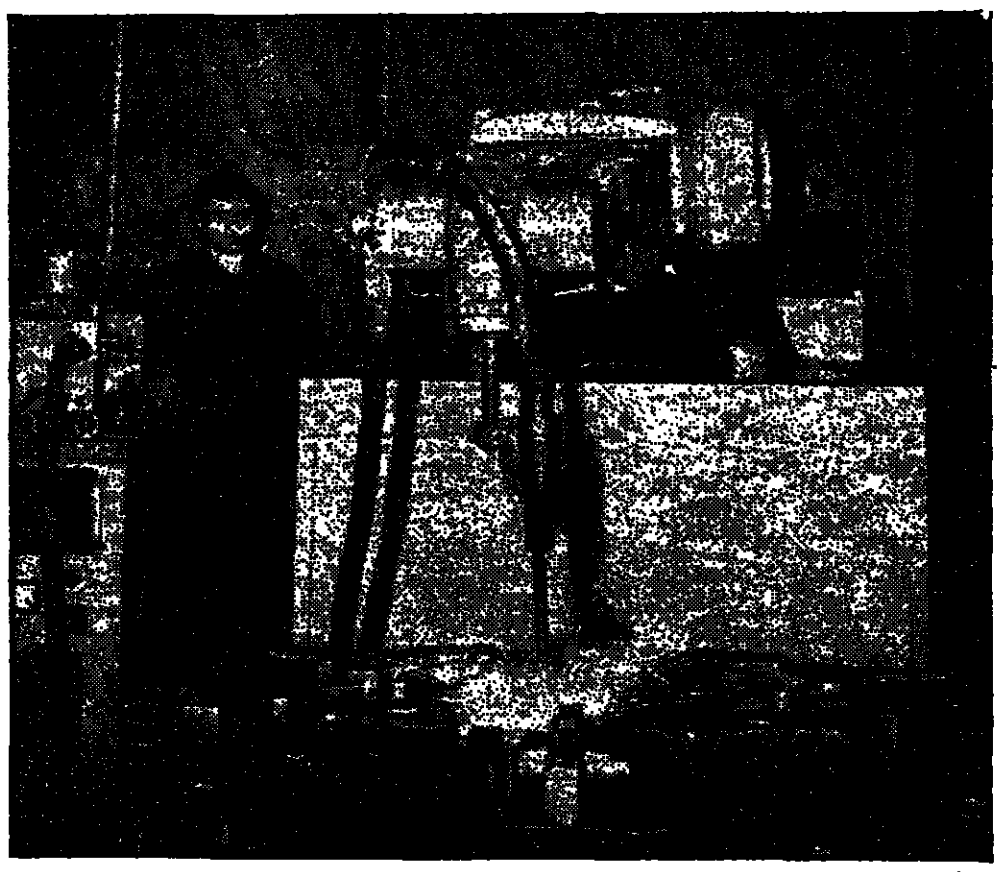
JUST AS the West often seems to exaggerate the importance of its technology to the East, so the East frequently appears to be bluffing when it says that new curbs on Western technology sales will hurt the West more than it.

It is therefore interesting when the Soviet bloc throws up a concrete instance where a Western restriction has actually accelerated industrial development in the East.

The Soviet Kamaz truck plant, the biggest in the world, was originally designed to take West German gantry-type robots or manipulators. But the sale of these to Kamaz was embargoed seven years ago. So, the Russians turned to Bulgaria, which had developed something of a speciality in simple electronics but up to then produced very little in the way of robots. The result today is the Beroe robot plant at Stara Zagora in central Bulgaria, which produced all the robots for Kamaz and now accounts for 80 per cent of Bulgarian robot output.

Robotics are still a very small part of Bulgarian industry. *But it is, according to* Mr Vassil Tjurkedjev, director of the Beroe plant, a sign of the country's industrial sophistication because it depends heavily on skills in two other sectors: mechanical engineering and electronics. Bulgaria has won for itself a leading role inside Comecon in these two sectors, and it was hardly surprising that last year's 11.7 per cent increase in machine building and electronics output far outstripped any other sectors in Bulgarian industry. Bulgarian politicians seem confident that Bulgaria will, if anything further increase its Comecon market share following the recent summit of Comecon party leaders in Moscow.

The Beroe plant has two main product lines. The first are non-digital robots with hard kinematic control, used for instance on mass assembly lines of cars or trucks and tractors, where there is relatively little variation in production technique. A large number of these robots is suspended from gantries and used for lifting, with lifting power from 10 to 160 kilograms (and up to 300 kilograms in the case of some *custom-made machines*).



A robot handles the welding in the production of electric trucks at the September 6 Plant in Sofia

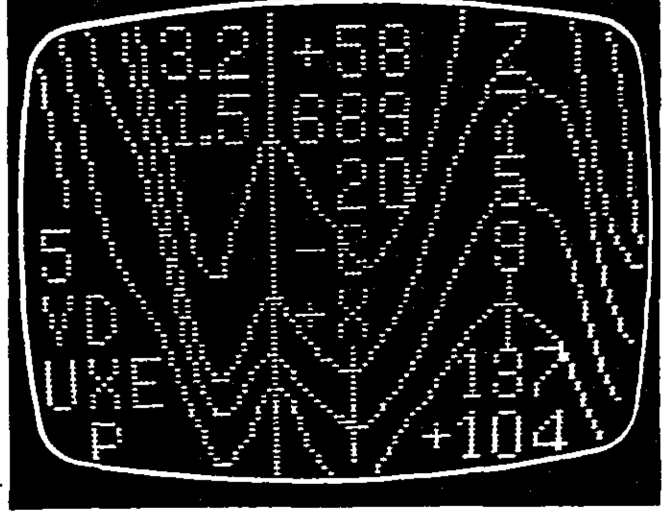
The main customers for these are Comecon's industrialised members: the Soviet Union, East Germany and Czechoslovakia. Sales to the West have not yet materialised, though Mr Tjurkedjev sees a potential customer in the UK, Oleo Pneumatic of Leamington Spa which wants to automate its Coventry production line of railway buffers.

Beroe's second main category are what Mr Tjurkedjev calls his "flexible robots," electronically programme machines used in specialised production and on variable assembly lines. Beroe has six robots in this family: a two arm robot for machine tool production; a spray painting robot with a floppy disc so that it can be "educated" by hand-guided movements being recorded on the disc and then repeated automatically; an electro-hydraulic robot, of lifting capacity up to 350 kilograms, and built under licence from Versatran of Chicago with adaptations by Beroe to give it a wider working range *electro-mechanical robots built* under licence from Fanuc of Japan, production of which will expand because the robots are light and considered easy to operate; robot-welding equipment, developed in conjunction with the Technical Robotics and Cybernetics Institute of Sofia and the famous Soviet Paton Institute in Kiev; and finally, small modular robots which Beroe hopes can be standardised throughout Comecon.

Reagan complications

Beroe exports about 60 per cent of its production, almost exclusively to other Comecon countries. While this may be a disappointment in terms of failure to earn hard currency, it is at least offset, Mr Tjurkedjev says, by the fact that Beroe imports virtually nothing in terms of components from the West, even for the machines built under U.S. or Japanese licence. The 40 per cent of components that Beroe imports come from the East, which is comforting in financial and strategic terms.

"We are still trying to buy *technology from the West,* but Mr Reagan is giving us complications," Mr Tjurkedjev says in reference to pressure by the Reagan administration to get Western allies to tighten controls on the sale of robots and robotics on the ground that such technology would enhance the quality of Soviet bloc military as well as civil production. "But Mr Reagan may be doing us a favour in certain cases because he pushes us to develop things more quickly than we would otherwise have done and makes us more independent," the Beroe director says, and cites the Kamaz incident as precedent. Does Mr Tjurkedjev concede, at least in theory, that robotics has a strategic value (as the Reagan administration sees it?) Not really. Answering more like a sociologist than an industrialist, he sees the benefits of automation as, first, relieving humans of boring or hard labour, second, as contributing to a more skilled work force and the "intellectualisation of society," and, only third, improved *quality.*



Low-cost Soviet oil aids trade balance

Energy

PATRICK BLUM

IN CONTRAST with its neighbours, Bulgaria has never had great difficulties getting relatively cheap energy from the Soviets. It provides the Soviet Union with a wide range of industrial and petrochemical products, and in return depends on Russia for 75 per cent of its oil imports and all its gas.

Bulgaria's imports easily cover domestic needs and, since it also imports oil from the Middle East — albeit at higher prices — it is able to chalk up welcome hard currency revenues through the sale of petrochemical and downstream products to the West.

The Comecon summit last June cemented this close energy relationship, and for the duration of the next five-year plan (1986-1990), imports from the Soviet Union will remain pretty much at current levels. Bulgarian officials say that prices for imported energy, especially oil, will continue to be calculated on the basis of an adjusted average of world prices during the previous five years. Some flexibility is kept for possible adjustments but any significant upward changes would require also making changes in other intra-Comecon trade prices, and this would require lengthy negotiations.

Bulgarian officials admit that Soviet oil comes cheaper than buying on the open market in the West but they reject the idea that this amounts to a subsidy. Cheaper oil is paid for with cheaper exports to the Soviets they say.

Mr Krassin Ganchev, managing director of Chimimport, the state oil, gas and petrochemicals monopoly, explains: "The price system within Comecon countries applies to all goods and trade between us. The price of other products are also lower so there is no financial advantage. The theory that we are being financed through low priced Soviet oil is not only wrong but it demonstrates a poor knowledge of our price system," he says.

Bulgaria imports 10-12 million tonnes of oil from the Soviet Union and another 3-5 million tonnes from Libya, Iran, Iraq and Algeria, with slight variations from year to year. It also imports some 5bn cubic metres of natural gas a year from the Soviets.

Oil imports from the Middle East and North Africa are mostly paid for by the sale of industrial products or in return for engineering works and other services. Imports from non-communist countries are expected to grow although not at the expense of the Soviet supplies.

Currency surplus

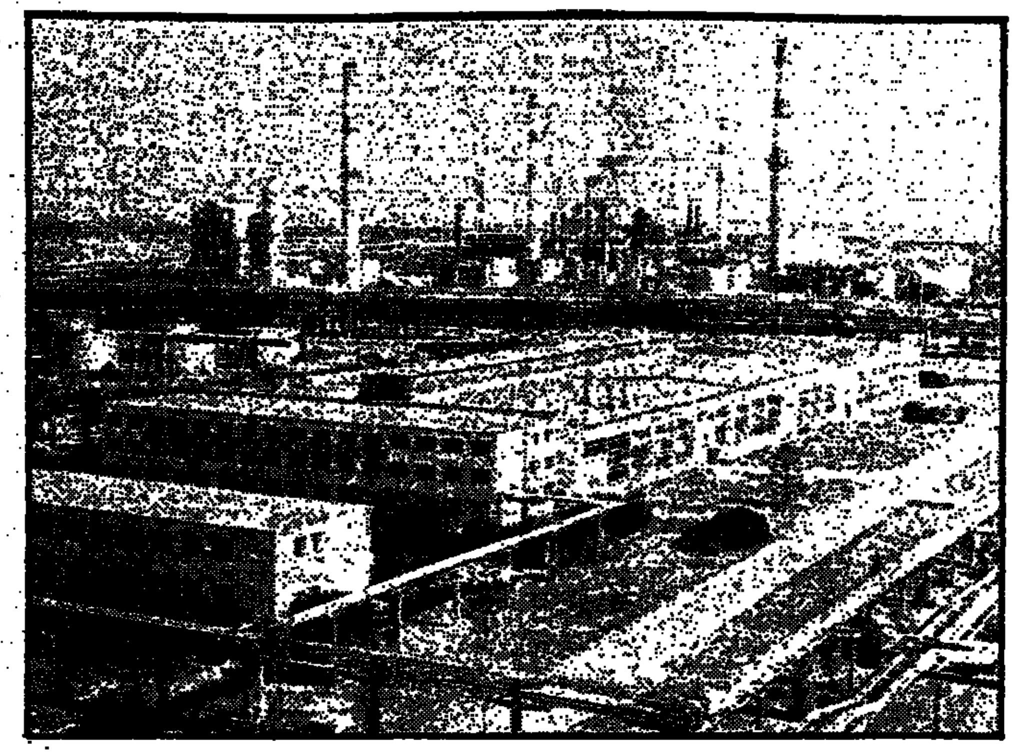
Almost all non-Soviet energy imports are processed in Bulgaria and sold as petrochemicals and semi-finished products to the West. This has greatly helped Bulgaria build up a hard currency trade surplus and contributed to reducing its western debt to the lowest level in the Comecon.

Bulgarians are secretive about their energy trade and Mr Ganchev plays down the benefits to Bulgaria: "The profits from this trade are not that high because the price of crude oil (bought outside the Soviet Union) is high to start with," he says. Nevertheless Chimimport sales of chemicals, petrochemicals and other downstream products in 1983 were worth U.S.$1.25bn of which U.S.$900m were to non-Communist countries.

The Bulgarian chemical industry — which includes petrochemicals, chemicals, rubber and plastic as well as pharmaceuticals and cosmetics — is the second most important branch in the economy after machine building and electronics.

Mr Ignat Iosifov Frantsov, deputy minister for the chemical industry, says the industry currently employs about three per cent of the total workforce, accounts for over nine per cent of industrial assets and for about 17 per cent of industrial production.

Until 1980 it was growing at an annual average rate of 18-28 per cent. The pace of development has slowed somewhat since then although this year it is still expected to show a healthy growth rate of over six per cent compared with overall growth of 4.5 per cent for the whole industry.



The petrochemical works near Burgas on the Black Sea (above). Four other large plants produce chemicals and fertilisers, four plants provide fibres and several smaller plants make tyres and plastics. Bulgaria's own plants now produce between 85 and 90 per cent of its domestic needs

Fertiliser plant

Bulgaria now boasts a vast petrochemical complex at Burgas on the Black Sea, four other large plants producing chemicals and fertilisers, as well as four plants for fibres and several smaller plants producing tyres and plastics. "Between 85 and 90 per cent of our domestic needs are now satisfied by our own industry," Mr Frantsov says.

The current growth rate for the industry will be maintained during the next plan but with greater emphasis on the production of specialty chemicals, pharmaceuticals and micro-biological products. The production of tyres will also be considerably expanded to meet higher demand for fork lift trucks in which Bulgaria has a near monopoly within the Comecon.

Investments will remain at about Leva 500m a year until 1990 although more will be spent on modernising, rebuilding and expanding existing plants than on building new ones.

Beause domestic resources are scarce and local raw materials are of low quality Bulgaria has to rely on imports. Mr Boncho Bonchev, first deputy minister for energy and raw material resources says that more imports will be necessary but less oil.

Bulgaria, he says, consumes relatively little oil for energy. "Power generation is mainly based on thermal heating coal plants, on hydro-electric plants and on nuclear plants. Oil is mostly used to assist in the utilisation of low grade coal. We want to keep oil consumption at roughly the same level as now. For new industrial capacities we will substitute coal for oil and refit (existing) plants so they can use coal".

About 30 per cent of Bulgaria's electricity is produced from domestic low calorie lignite, 28-30 per cent from nuclear energy, 8 per cent from hydro-electric power, four per cent from gas and three per cent from oil. The remainder is from imported sources, mainly coal.

To meet expected higher demand several projects are already under way. The coal fired Maritsa-East plant near Plovdiv which generates over one fifth of Bulgaria's electricity is currently being expanded and will provide an extra 15 per cent capacity by the end of this year. By 1990 Maritsa-East's total generating capacity should reach 3,360 MW.

A new hydro-electric plant is under construction at Chaiza to provide 600 Mw from 1986. But the most dramatic expansion is envisaged for nuclear power which will provide about 60 per cent of all electricity produced by the end of the decade.

According to estimates the International Atomic Energy Agency Bulgaria already ranks sixth among industrialised nations for generating electricity from nuclear power. The current plans would make Bulgaria the largest single user of nuclear energy per capitia.

The construction of two new 1,000 MW reactors is already under way at Bulgaria's sole nuclear power plant at Koziodoui on the Danube. Mr Athanas Georgiev, science and techneology director at the Energy Ministry, says that the plant now produces 1,760 Mw from four 440 MW reactors.

Nuclear power

A new 1,000 MW reactor, built with Soviet assistance, should be operational by 1986 to be followed by a second two years later. Construction has also started on a second nuclear power plant near Belene, further east on the Danube, which will have four 1,000 MW reactors.

Bulgaria is also pressing ahead with plans to build its first nuclear power plant for heating. Officials say that construction of the plant has begun. It will produce domestic and industrial heating for Sofia and neighbouring towns and have a capacity of 300 MW. The feasibility study for a second plant has also been concluded.

Soviet assistance has played a crucial role in the rapid development of Bulgaria's energy industry, a fact readily aknowledgedby the Bulgarians, and this co-operation will remain a predominant factor in the future.

But Bulgaria's ambitious energy programme will also place it in a strong position as a regional energy supplier. Officials say that developments are designed to meet domestic demand only but Bulgaria has already been supplying electricity to Greece, Turkey, Yugoslavia and Romania.

The agreement with Greece broke down earlier this year when, according to Greek sources, Bulgaria unilaterally raised the price of its electricity exports by 10 per cent. This is regarded as a temporary halt in Sofia. Meanwhile negotiations are continuing with Turkey on increasing exports. Bulgarian electricity supplies to its neighbours are on an exchange basis, Mr Georgiev says, but they have been balanced only with Yugoslavia. Greece and Turkey have been net importers.

Forty years ago Bulgaria could not produce enough electricity to satisfy demand from its own tiny industries. It is now in the more comfortable position where it can expect to reap extra hard currency revenues from electricity exports on top of those it already earns from the sale of oil products to the west.

Maintenance operators at the chemical combine in Vratsa which manufactures nitrogen fertilisers and other chemical products

PROFILE: CHIMIMPORT

Chemical giant predominant

MR KRASSIN GANCHEV, managing director of Chimimport—the state monopoly responsible for supplies and exports of oil, gas, petrochemicals and chemicals—has a finger on Bulgaria's economic pulse.

Founded in 1947 to supply Bulgaria with chemicals, Chimimport has grown to become the country's largest single trading organisation. With imports and exports forth U.S.$5.3bn in 1983, it accounted for over one-fifth of Bulgaria's total trade turnover. The Comecon countries were Chimimport's most important customers, with U.S.$3.64bn worth of trade, the West's share was U.S.$1.7bn.

Biggest turnover

"We have the largest turnover in Bulgaria. The next largest company has a turnover three times lower than us," Mr Ganchev says.

At first glance the company's annual figures show that its imports are a good deal higher at U.S.$4-4.01bn than its exports, which were worth U.S.$1.25bn in 1983. But apart from the company's strategic importance as provider of energy, it also fulfils another important role as a major earner of hard currency for Bulgaria through the sale of oil products to the West which were worth U.S.$900m last year.

Mr Ganchev likes to think that Chimimport's predominant place in the economy is the result of individual effort as well as good long-term planning.

"Unlike other countries we didn't choose the easy way out, buying all our chemicals, raw materials and semi-finished products to produce only final products. Instead we created a chemical industry which is able to produce all the basic products." This, he argues, could not have been done without the crucial help of the Soviet Union.

He adds "to consolidate our name on the international market and face successfully the strong competition we relied entirely on the intelligence, flexibility and creativity of our hard-working staff."

The company now deals in several thousand products, has an export list of about 150 products and trades with more than 1,000 companies east and west including the U.S. Relations with these companies remain good despite deteriorating political relations, he says.

"After the U.S. Senate's decision (to block promotional funds for trade with Bulgaria) we received assurances from U.S. companies that they intended to maintain good business relations with us. One firm even asked if it should issue a statement to that effect," Mr Ganchev claims.

In any case the row is not expected to affect an agreement signed earlier this year with Dow Chemical to establish a 50-50 joint venture company in Sofia.

"This was not an easy agreement to reach because it involves joint investment and production, trading in third countries as well as research and development. We hope that it will be prosperous. Both companies are eager to make it a success."

Patrick Blum

PROFILE: BALKANCAR PODEM

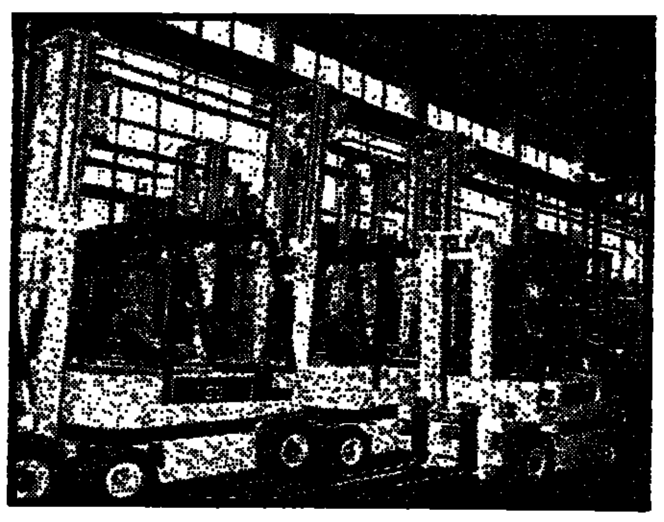
Crane maker looks West

BALKANCAR PODEM, maker of electric hoists, storage machinery and cranes, is not worried at being overshadowed by its parent company Balkancar, the world-leading manufacturer of lift trucks. While the latter steals the headlines with attempts to take over western companies, Balkancar Podem has in a relatively short time established its own network of trading and production companies in the West.

In Italy it owns 72 per cent of Misia Paranchi which makes hoists. In Portugal Pinhol Gomes makes cranes under a production agreement, and Fetim its fully-owned subsidiary in Singapore also makes cranes. Altogether it has co-operation agreements with 24 companies outside the communist bloc.

"We are the number one company making electric hoists," claims Mr Pencho Bouzov, the company's president.

Last year the company exported about 122,000 hoists. In comparison its main competitor in West Germany produced only 40,000 hoists, Mr Bouzov says. The company's turnover last year was U.S.$220m with company profits of about U.S.$26m representing 12 per cent of turnover. The company plans to double production during the next five years.



The country's largest producer of electric trucks is the September 6 plant in Sofia

Balkancar Podem appears to have found a relatively comfortable niche in the world market for hoists. It exports to 40 countries although the largest share goes to the Soviet Union (60 per cent), the other Comecon countries (about 20 per cent) and the remainder to the West.

But it also makes highly specialised storage manipulating machinery the production of which it now hopes to expand with the development of complete storage systems. "We are now experimenting with joint ventures in Italy and Argentina to produce complete systems," Mr Bouzov says.

In 1983 Balkancar Podem took full control over production and marketing from Balkancar although it already had responsibility for production since 1976. The company is now completely independent. The break was necessary to allow greater concentration on development and marketing, Mr Bouzov says. "Balkan-car makes fork lifts and the production of these gives a number of problems. Solving these distracted the management from (dealing with) other problems."

Difficulties in the industry world-wide have led the company to concentrate more on its Comecon market. "There is high competition in our branch. The number of our competitors has been reduced because of the crisis. Only the big ones remain in business," Mr Bouzov says. He admits that access to the Comecon markets gives Balkancar Podem an edge over its Western competitors by providing a guaranteed level of production and stability. "Obviously it allows us to look at other markets without worrying about going bankrupt." With company plans to double production during the next five years, that hardly seems to be something to worry about.

P. B.

Somat's international route

Road haulage

LESLIE COLITT

ONE MIGHT legitimately ask what Europe's largest road haulage operator is doing in little Bulgaria. Somat, the international road transport company, operates between 4,000 and 5,000 trucks and semi-trailers and is one of the most commercially aggressive companies in the country.

It has to be: Somat mainly works in the non-Communist world, transporting goods from Western Europe to the Middle East, which makes up 80 per cent of its business.

The key to Somat's *size* is the geography of Bulgaria which straddles the land routes between Western Europe and Turkey: most international agreements governing road transport stipulate that transport to third countries must cross one's own territory.

According to Mr Anastas Valkanov, Somat's director of marketing and research, the company has the spare capacity to handle Western business because the volume of Bulgarian exports to Western Europe is greater than its imports. He estimates that none of his Western competitors, mainly in the Netherlands, West Germany, and Austria, has more than a 5 per cent share of the Europe to Middle East haul while Somat claims one third.

Somat employs some 7,500 drivers, 2,500 technicians and administrators. Last year's turnover was $400m in hard currency making it one of the "big 10" Bulgarian companies in such earnings. Profits are said to be about the same as in the West in the transport business, *running about 5 per cent* to 6 per cent of turnover.

In June 1981 Somat launched Medlink, a new sea freight line to Tartus in Syria. It was designed to get around the bottleneck in land traffic which had developed through Turkey and because *Bulgaria* was exempt from Turkish transit fees it enabled Somat to calculate its rates very tightly.

The new port of Pokrayna was completed last April near Vidin on the Black Sea which is serviced by two *2,400 hp* twin-hulled Ro-ro vessels built in West Germany, the largest on the Danube. Carrying up to 50 trailers and trucks each, they ply between West Germany, and Pokrayna. With their shallow draught up to 1.65 metres, they will also be able to use the Danube-Main-Rhine canal in southern Germany when it is completed.

Six vessels

Two Yugoslav-built ships are used on the route as well and Medlink will eventually operate six vessels, able to transport some 15,000 freight trailers annually.

Pokrayna is a key junction for Somat as it is from here that cargo from Western Europe *proceeds by land by Somat* trucks to the near Middle East through Turkey. Another route is by land to the Greek port of Thessalonika where a Somat ship stops on its way to Tartus.

A shipping route was opened last spring by Somat connecting Barcelona, Marseilles and the Bulgarian port of Burgas. Two *8,500-tonne ships bought from* Sweden service this route. Operating under the name of Medlink II the line which operates every 12 days, is designed to attract French and Spanish companies which previously have not exported to the Middle East.

Spain, which is said to have *been inactive in freight* transport to the area, is now, claimed by Mr Valkanov, to be an eager client. An Italian shipping company is also said to have expressed interest in extending the line to an Italian port.

Somat says that using both its river and sea vessels saves transit fees, drivers, fuel and equipment for its clients, while the water transport is the same or shorter than by land.

The Somat ship from Marseilles to Burgas takes four days, generally quicker and cheaper than by truck. From Burgas the freight goes by truck through Turkey to its final destination in the Middle East. The market is said to be reacting "very positively" to the service and capacity utilisation is good.

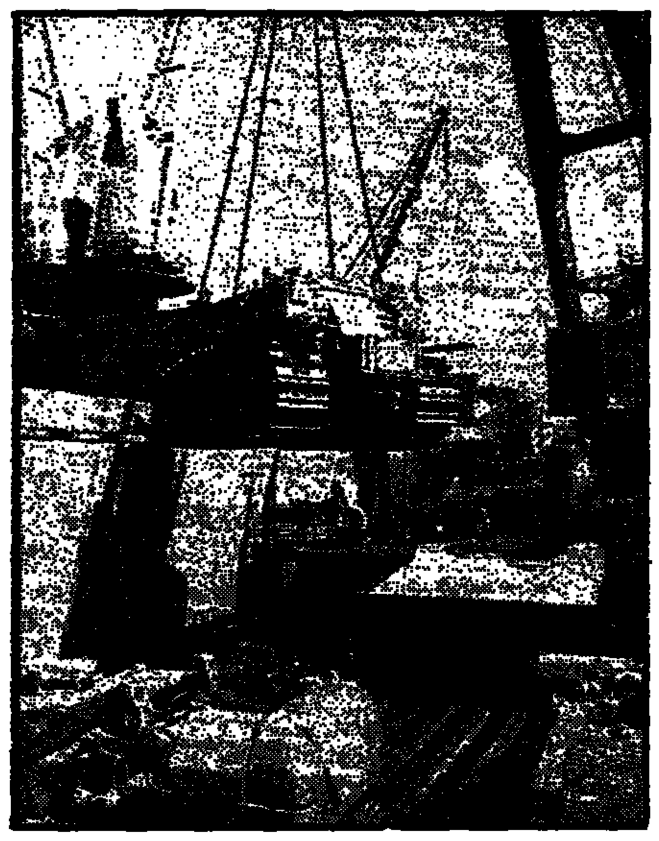
But not all of Somat's Western adventures have been successful. Its service from Yugoslavia to Aqaba via the Suez Canal and another from Limassol to Tartus showed poor results. At the end of April Somat signed a joint venture with Sten Line for a route from Volos, Greece, to Tartus.

Mr Valkanov says the company means to expand its "intermodule" transport using trucks and ships, and then trucks, to the final destination. The next move is to offer a large choice of services to clients. Somat currently has southern "export lines"—daily truck departures from Western Europe—and guaranteed short-time delivery to Iran, Iraq, Syria, and Kuwait.

According to Mr Vladimir Dimitchev, manager of marketing research and development at Somat, it is essential for the company to be able to offer clients a package of services.

Road transport generally is seen as having good medium-term prospects from Europe to the Middle East as the economics are not expected to change dramatically in favour of railways and containers. New, more fuel-economical, truck and organisational improvements at Somat as well as the Medlink service has not, however, fully compensated for a fall in rates which has led to the profits of many Western competitors plunging to between 2 per cent and 3 per cent from 10 per cent previously, Somat believes.

Somat buys about 1,000 trucks a year and plans to add a new make in addition to buying more Mercedes and Volvo units. The vehicles are tested for one or two years by Somat and the findings reported to the manufacturer, with requests for alterations to meet Somat requirements. If this is done the maker is invited to bid on new equipment. In the latest round, Daf, M.A.N., Scania and BL all entered bids and Mr Volkanov says a decision will be made on the basis of price and the best technical offer.



Unloading a tank in Varna harbour, part of a general cargo of nearly 20,000 tons

PROFILE:
ANASTAS VALKANOV

Mr Anastas Valkanov, director of marketing research at Somat: technical background makes you more realistic

Marketing man with technical prowess

MR ANASTAS VALKANOV, the 41-year-old director of marketing research and development in Europe's largest trucking company, was trained as a naval architect. This just happens to fit in with his company's expansion *into ro-ro river and seagoing* ships carrying the logo of Somat, Bulgaria's international road transport company.

After marrying in 1968, he left his home town of Burgas at the *Black Sea*, where he was employed in a shipyard and came to Sofia to work for Transimpex, a foreign trade organisation which imports and exports shipping equipment. Later, he attended the Karl Marx Institute of economics and foreign trade.

Except on the rare occasions when he visits a shipbuilder, Mr Valkanov says he does not regret having *gone over to the commercial* side: "A technical background usually makes you more realistic," he observes.

Intermodule

A member of the six-man board of directors of Somat, Mr Valkanov has been in charge of introducing the company's new intermodule transport services.

Every enterprise in Bulgaria follows the same rules of the new economic mechanism and aims to be *financially* "*self-sustaining*," he claims. But, because of the nature of Somat, which is totally oriented to international business—of which 80 per cent is in the West—he feels it has some advantages over other Bulgarian companies. "We are able to be more flexible in prices," he *states*.

For relaxation Mr Valkanov enjoys going to the theatre—his mother was in the opera in Plovdiv—and his sister and a brother-in-law are also musicians. He spends his one-month holiday with his family—his wife is in charge of supplies for a secondary school—at the Black Sea, where he was born. He also has a cottage in the Rhodope mountains.

Leslie Colitt

Ski slopes and sunny beaches

Tourism

LESLIE COLITT

BULGARIA is the playground of Eastern Europe, luring 1.4m sun-starved citizens of the Comecon countries, mainly to its resorts along the Black Sea. But it also attracts some 700,000 Western visitors annually and they are the country's sixth most important source of hard currency.

Until now, Bulgaria has *catered for low-budget* Western families who can get two weeks at the beach for less than they would pay almost anywhere else. An upgrading of facilities is is currently under way, however, with new hotel villages being constructed at the *Black* Sea with the help of Western companies.

A 2,000-bed village for French and Finnish tourists is being built by a Finnish company north of Burgas. To the south, a similar complex for West German and Austrian tourists is under construction by an Austrian firm. The new Druzba Grand Hotel in Varna was built by a Swiss company.

Beginning with the next five-year plan in 1986, the hotels built in the 1950s and 1960s at the two main Black Sea resorts, Sunny Beach, 41 km north of Burgas, and at Golden Sands near Varna, are to be modernised and the infrastructure improved with more sports offerings and facilities for children.

Improvements

The scope *for* improvement is evident. Smaller restaurants in Bulgarian folk style are needed, for example, to leaven the *monotony* of cavernous restaurants at the Bulgarian sea coast, built to feed as many people *simultaneously* as possible. A few private restaurants were permitted to open but some have already been closed down again. Not all Westerners find it easy to spend two weeks without being able to read a Western newspaper except the occasional Morning Star.

West Germans make up the *bulk of Western holidaymakers* at the sea coast although their numbers are dwindling. Last year 95,000 West Germans took their holidays at the Black Sea, well down on the peak in 1981. A good many of them are said to have dropped out of the holiday market because of the economic recession at home.

Some, however, have undoubtedly gone to Spain and elsewhere in search of a more animated holiday. Both Sunny Beach and Golden Sands were created out of virtually nothing and the hotels and facilities are *somewhat spartan* by current standards.

The British, Scandinavians and Dutch are replacing the West Germans and, overall, Bulgaria expects to gain up to 50,000 more hard currency tourists this year than last. Britons, according to Mr Todor Nanov of the Bulgarian Tourist *Association* in Sofia, stay in better-class hotels than the West Germans and are more interested in exploring the country.

Thomson Holidays is reported as wanting to double its Bulgarian programme next year using higher category hotels and UK tour operators, generally, are said to be showing interest in winter programmes at Bulgaria's three main ski centres, to which a fourth, in the Pirin mountains, is to be added.

The largest *ski resort is* at Pamporovo in the most beautiful part of Bulgaria's largest mountain range, the Rhodopes. It offers skiing for beginners and experts until late spring on runs serviced by four chair lifts and two ropes. *The ski school* offers instruction at five levels of competency.

A new hotel, the Perelik, is the most comfortable in the area with tavern, discotheque, indoor pool, sauna, bowling alley and a restaurant seating 650. There are several folk-style restaurants nearby where Rhodope specialities can be sampled. This part of the country is dotted with villages such as Shiroka Luka containing many examples of the engaging *national revival style of* architecture.

Visitors to the capital of Sofia can enjoy the mountains at any time of the year. They are within reach of the Sofia transport *system—a principal reason* why Sofia has offered itself as a candidate city to host the *Olympic* Winter Games in 1992 at the nearby Mount Vitosha. Riding the No. 2 or 9 tram to the end station and switching to a 66 bus, residents of Sofia stream on weekends to Vitosha mountain which is virtually a suburb of the city.

After a ride of about 50 minutes passing chalets built for prominent Sofia citizens, the bus stops at a height of 1,800 metres. From here the athletic Bulgarians hike to Cherni Vrah (Black Peak), the 2,290 metre *summit of Vitosha. Hardy* grandmothers and grandfathers, some with transistor radios *playing* in their rucksacks keep up a withering pace so that one is inclined to believe the stories about Bulgarian longevity—normally attributed to regular yogurt and sheep cheese consumption.

Although visitors soon discover the typical Bulgarian to be good-humoured and with a *great zest for life, this basic* friendliness contrasts with the sometimes hostile attitude encountered toward guests by hotel personnel. This, however, is not unusual in Eastern Europe where underpaid hotel personnel become embittered by their contact with relatively affluent westerners.

Sofia is an attractive city with much greenery and a good many handsome buildings from *the turn of the century*. The Alexander Nevsky Memorial Church built in the 1880s in gratitude to the Russians for liberating Bulgaria from Ottoman rule is a visual feast. It is an awe-inspiring edifice in neo-Byzantine style with wonderful gilded domes visible from many higher parts of the city.

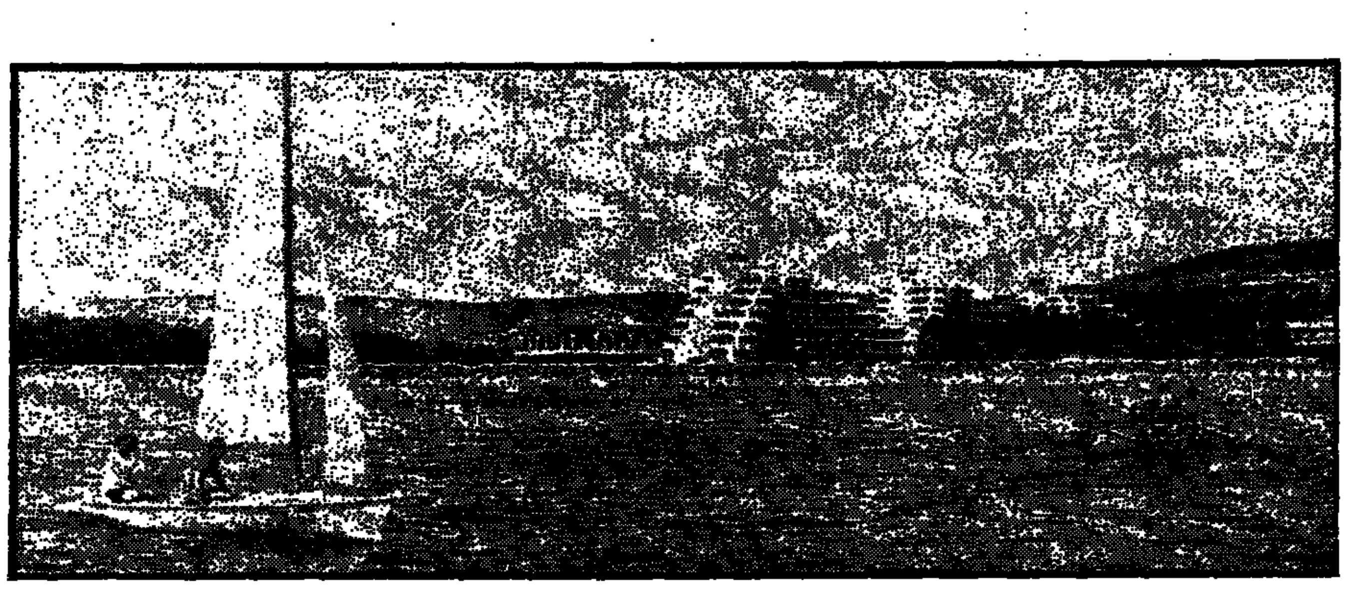
Close by is St Sophia Church from which Sofia takes its name. The Basilica was built in the 6th century, turned into a mosque in the 16th century then abandoned after being severely damaged in an earthquake in the last century and subsequently restored.

Soviet visitors gaze in wonder at the statue of Tsar Alexander II of Russia in the *heart of Sofia whom* Bulgarians honour as their liberator from Turkish rule. He is still described in Soviet schoolbooks as the most evil of despots.

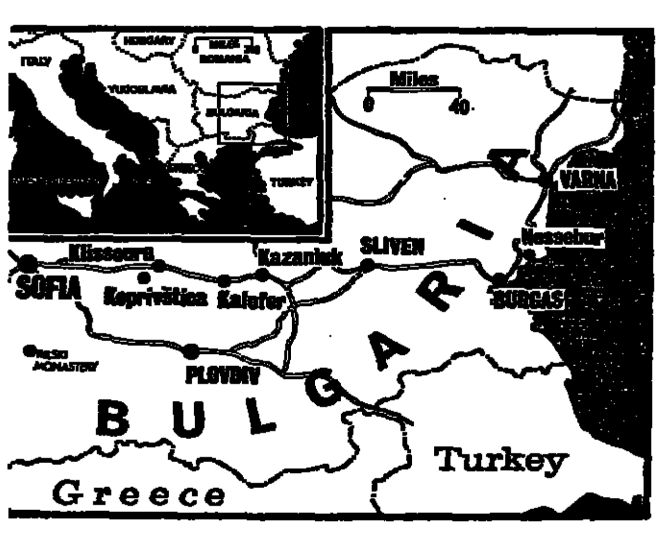
The forerunner of Sofia was the Roman settlement of Serdica, the archaelogical remains of which may be viewed at several points in the *city centre. It is also worth* peering inside the central market hall with its abundance of meat and in the summer fresh produce. One useful souvenir to bring back home is a tin of zesty Bulgarian sheep cheese to use in salads.

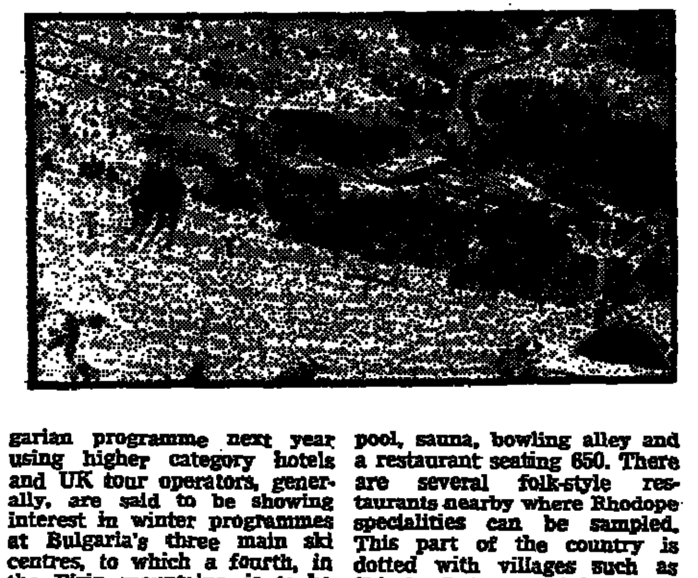
From Sofia an excursion can easily be made to the beautifully situated Rila Monastery National Museum, the country's *foremost architectural and his*torical monument. The 10th century monstery which was destroyed in the 13th century and restored in the 19th, was a rallying point for Bulgarians throughout centuries of foreign rule.

Visitors to Bulgaria soon discover that it offers a tourist exchange rate which is rather more realistic than the 100 Leva for $100.70. Everything exchanged beyond the first $100 is at the rate of Levas 181.26 to $100.



Summer and winter sports: above, yachts, speed cutters and water skis at the resort of Albena. Bottom: Sofia's citizens ski at Mount Vitosha near the capital





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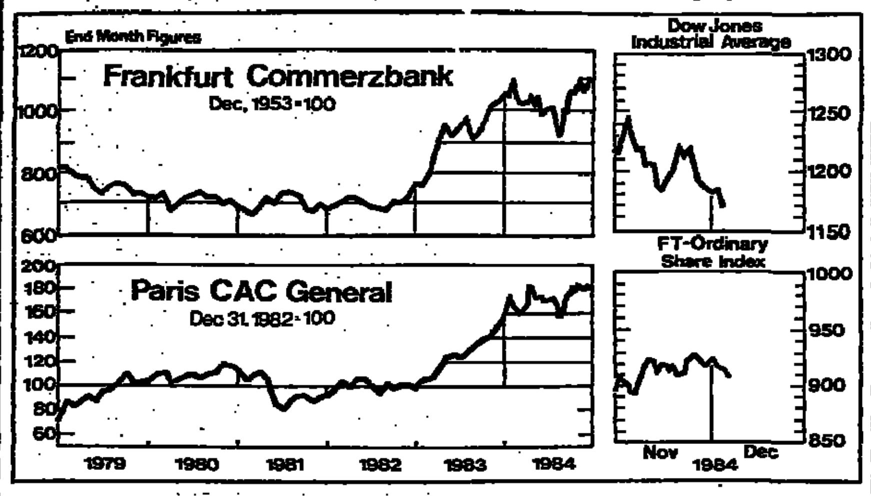


STOCK MARKET INDICES

	Dec 6	Previous	Year ago
NEW YORK			
DJ Industrials	1,170.94*	1,171.60	1,269.31
DJ Transport	523.14*	520.28	602.58
DJ Utilities	145.16*	144.80	133.96
S&P Composite	162.80*	162.10	165.47
LONDON			
FT Ord	908.4	914.9	760.2
FT-SE 100	1,175.8	1,182.9	980.5
FT-A All-share	564.55	567.87	468.03
FT-A 500	618.58	621.43	499.87
FT Gold mines	547.3	555.8	592.3
FT-A Long gilt	10.05	10.04	10.15
TOKYO			
Nikkei-Dow	11,559.84	11,543.19	9,438.79
Tokyo SE	884.93	882.40	699.47
AUSTRALIA			
All Ord.	727.7	737.5	733.5
Metals & Mins.	420.8	432.7	541.4
AUSTRIA			
Credit Aktien	58.96	58.53	54.49
BELGIUM			
Belgian SE	159.16	158.52	129.32
CANADA			
Toronto			
Metals & Mins	1,851.6*	1,860.57	2,492.0
Composite	2,354.8*	2,358.67	2,536.8
Montreal			
Portfolio	116.97*	116.73	124.64
DENMARK			
Copenhagen SE	164.92	165.87	197.16
FRANCE			
CAC Gen	181.4	182.5	150.0
Ind. Tendance	119.8	121.7	95.8
WEST GERMANY			
FAZ-Aktien	375.68	377.32	348.72
Commerzbank	1,097.2	1,102.8	1,028.0
HONG KONG			
Hang Seng	1,120.74	1,136.08	881.58
ITALY			
Banca Comm.	n/a	213.70	186.57
NETHERLANDS			
ANP-CBS Gen	177.5	178.9	147.8
ANP-CBS Ind	140.7	141.7	119.8
NORWAY			
Oslo SE	277.96	279.57	205.78
SINGAPORE			
Straits Times	817.83	815.59	938.34
SOUTH AFRICA			
Golds	1,036.4	1,048.0	851.8
Industrials	990.1	993.2	909.0
SPAIN			
Madrid SE	138.31	139.73	124.32
SWEDEN			
J & P	1,373.36	1,362.20	1,522.90
SWITZERLAND			
Swiss Bank Ind	384.3	383.5	371.5
WORLD	Dec 5	Prev	Year ago
Capital Int'l	183.6	184.4	181.6

GOLD (per ounce)

	Dec 6	Prev
London	$330.50	$330.75
Zürich	$329.85	$330.75
Paris (fixing)	$330.86	$331.32
Luxembourg	$330.85	$330.60
New York (Dec)	$330.50	$330.10

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Dec 6	U.S. DOLLAR Previous	STERLING Dec 6	STERLING Previous
$	—	—	1.2065	1.208
DM	3.0625	3.0785	3.69	3.72
Yen	246.55	246.75	297.5	298.25
FFr	9.3825	9.42	11.3	11.39
SwFr	2.5245	2.545	3.045	3.08
Guilder	3.4565	3.476	4.17	4.2025
Lira	1,893.0	1,896.5	2,285.0	2,293.0
BFr	61.75	61.85	74.55	74.75
C$	1.32225	1.32195	1.59445	1.59945

INTEREST RATES

	Dec 6	Prev
Euro-currencies (3-month offered rate)		
£	9⅝	9⅝
SwFr	5¼	5
DM	5⅝	5 7/16
FFr	11	11 1/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	9 1/16	9⅝
6-month U.S.$	9⅝	9¼
U.S. Fed Funds	9*	7⅞
U.S. 3-month CDs	8.9*	8.8
U.S. 3-month T-bills	8.47*	8.45

U.S. BONDS

	Dec 6* Price	Dec 6* Yield	Prev Price	Prev Yield
Treasury				
10⅞ 1986	99 27/32	10.47	99 29/32	11.41
12⅛ 1991	103 1/16	11.51	103 9/32	11.44
11¾ 1994	100 1/16	11.60	100 13/32	11.51
11¼ 2014	101 5/32	11.60	102	11.50
Corporate				
AT & T				
10⅜ June 1990	95⅞	12.50	95⅞	12.45
3⅞ July 1990	73⅞	10.20	73⅞	10.15
8¾ May 2000	76⅞	12.10	77⅞	12.05
Xerox				
10¼ March 1993	93⅞	11.90	93⅞	11.85
Diamond Shamrock				
10⅞ May 1993	92⅞	12.10	92⅞	12.05
Federated Dept Stores				
10⅞ May 2013	89⅞	11.90	90	11.85
Abbot Lab				
11.80 Feb 2013	96⅞	12.20	97⅞	12.15
Alcoa				
12½ Dec 2012	99	12.40	99⅞	12.35

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	71-21	71-28	71-19	71-30
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	91.54	91.58	91.53	91.59
Certificates of Deposit (IMM) $1m points of 100%				
Dec	90.98	91.00	90.94	91.00
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	90.62	90.67	90.60	90.72
20-year Notional Gilt £50,000 32nds of 100%				
Dec	109-28	110-01	109-24	109-31

COMMODITIES

(London)	Dec 6	Prev
Silver (spot fixing)	587.95p	585.25p
Copper (cash)	£1,096.50	£1,095.50
Coffee (Jan)	£2,288.50	£2,311.50
Oil (spot Arabian Light)	$27.775	$27.775

WALL STREET

Uncertainty slow to subside

AN UNCERTAIN Wall Street stock market was awash yesterday with special situations involving several blue chips, *writes Terry Byland in New York.*

Union Carbide shares plummeted in heavy turnover as the stock market assessed the possible financial implications of the disaster at the company's plant in India.

Selling of Union Carbide stock intensified after discussion in the investment press of the potential financial responsibility of the company. Trading was delayed for half an hour on the New York Stock Exchange as dealers struggled to cope with a fresh wave of selling orders waiting for the market to open.

The first deal was a block of 1.1m shares traded at $39, a fall of $5½ from overnight. A second block, 500,000 shares, was traded at the same price and a total of 4.2m shares changed hands before the price steadied to $39⅞ after the board said the group's financial structure was "not jeopardised."

Union Carbide's market capitalisation has tumbled by more than $740m since the news of the tragedy, and Moody's Investors Services said yesterday it was considering downgrading Carbide's debt issues.

The rest of the industrial stock market was in better shape, helped by a turn for the better in IBM stock, which regained $1⅛ to $119. Also on a recovery trend was the car sector, where Chrysler gained $1¾ to $28¾ after announcing that it would buy in up to 25m shares, or about one fifth of its equity. General Motors added $⅝ to $74¾.

By midsession the Dow Jones industrial average, dragged down at first by Union Carbide, had reversed an early slide of nearly six points. The activity was mostly in blue chips and special situations, with the broad range of the market holding steady.

At 3pm the Dow was down 0.66 at 1,170.94.

Another high spot of the stock market was ITT which jumped $1¼ to $31½ amid confusion over turnover totals. Mr Irwin Jacobs confirmed that he was buying ITT stock, saying he had been "involved" in a 2.4m block trade at $30⅝ reported by Jefferies, the third-market trading firm. ITT said it believed that Batterymarch Financial Management, an institutional stockholder, was the seller.

Another reported block trade of 2m ITT shares at $30½ was later corrected by the New York Stock Exchange which said only 500,000 shares had been traded.

Another 2m Phillips Petroleum shares traded, with the price firmer at first but later $½ off at $53, at which level the stock was suspended because of an imbalance of dealing orders. As expected, Phillips moved to block the bid from Mesa Petroleum by obtaining a temporary legal injunction. Meanwhile, Mr T. Boone Pickens said he expected to have the financing for his offer of $60 a share by the weekend.

Following news of a long-awaited bid from Heileman, stock in Pabst, the brewer, added $⅛ to $10⅝, against the $11 bid terms.

Firestone Tire, at $16¾, added $¼ after the profits statement, while fellow tyre maker B. F. Goodrich held unchanged at $25⅛ despite disclosure of a $12m charge on fourth-quarter profits.

Credit markets began to weaken as traders awaited the latest money supply figures, due late in the session. The federal funds rate steadied to 9 per cent, after the Federal Reserve aided liquidity with $1.5bn in customer repurchase arrangements when the funds stood at 8 15/16 per cent.

Treasury bill rates *edged higher,* six-month bills adding 6 basis points to 8.63 per cent. In the bond market, prices sagged to show falls of up to 12/32, putting the key long bond at 101 5/32.

TOKYO

Late flurry favours city banks

A LATE RALLY recouped early losses and sent share prices slightly higher in Tokyo yesterday; *writes Shigeo Nishiwaki of Jiji Press.*

Caution against the recent rapid upswing dominated the market, though, with buying interest limited to low-priced, incentive-backed issues.

The Nikkei-Dow market average gained 16.65 to 11,559.84 on volume of 493.88 shares, down steeply from 655.31m on the previous day. Advances outnumbered declines by 370 to 348, with 150 issues unchanged.

The barometer had been drifting lower since the start of trading. It turned up marginally, however, after city banks, among the 225 constitutents, rebounded sharply just before the close.

Sumitomo Bank soared Y100 to a record Y1,670, Fuji Bank Y60 to Y1,290, and Dai-ichi Kangyo Bank Y40 to Y1,300. Investors increased purchases of these issues as Japan's top nine city banks will become eligible for margin trading next Monday.

Nomura Securities remained popular, gaining Y35 to Y885. Recently selected non-life insurances, however, eased into a lull.

Low-priced stocks at under Y400 were bought in preference to speculative issues. Mitsui Toatsu topped the most active list with 36.42m shares changing hands, adding Y11 to Y203.

Nippon Oil and Fats, the second busiest stock with 13.35m shares traded, jumped Y22 to Y455, bolstered by its advance into the biotechnology field. Toyojazo, however, lost Y10 to Y1,090 under profit-taking pressure and Asahi Chemical fell Y21 to Y640.

Blue chips eased on small-lot selling triggered by Wall Street's dull performance. Pioneer Electronic leaped Y80 to Y2,700, however, fuelled by foreign buying of about 1m shares.

Buy orders placed by foreign investors with Japan's big four securities houses in early trading totalled 22m shares against sell orders for 24m shares.

Bond prices eased slightly in inactive trading due to the weaker yen and growing profit-taking pressure. The yield on the barometer 7.3 per cent government bonds, maturing in December 1993, rose from Wednesday's 6.545 per cent to 6.570 per cent – the first rise in four trading days.

SINGAPORE

SMALL GAINS were achieved in late Singapore trading as the Straits Times industrial index rose 2.24 to 817.83.

Among active stocks, First A Corporation rose 5 cents to S$2.55, Faber Merlin – the most active in the previous session – put on 1 cent to S$1.36 and Sime Darby advanced 3 cents to S$1.87.

Hotel, property and commodity issues were marginally higher where traded.

EUROPE

A swifter buying pace for Swiss

BUYING of Swiss shares gained pace yesterday, extending the gains notched up without interruption through the week and returning share values to levels not seen since the first few trading days of this year.

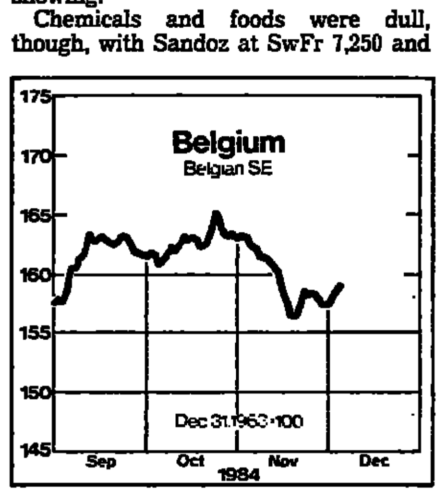
The extension of the **Zurich** advance came on a day when many other continental European centres were prone to profit-taking amid disappointment at Wall Street's overnight inability to shake off its weaker trend, and when the neighbouring French market suffered a pronounced setback.

Lively dealings took the Swiss Bank Corporation general index of 90 issues 0.9 higher to 404.2, surpassing the peak set on January 6.

The banking sector – which for many Europan bourses is beginning to draw brokers' recommendations, based on the prospect of a plateau soon in debt provisions – drew somewhat better demand than the industrial side. Baer Holding jumped SwFr 125 to SwFr 7,150 while of the majors Swiss Bank itself put on SwFr 3 to SwFr 361.

Swiss Re reached the SwFr 8,000 level with a gain of SwFr 50, up SwFr 300 on the week so far, and a SwFr 400 surge in retailer Globus at SwFr 3,400 was attributed to a good pre-Christmas sales showing.

Chemicals and foods were dull, though, with Sandoz at SwFr 7,250 and



Jacobs Suchard at SwFr 6,150 each SwFr 25 lower. Domestic bonds were quietly firmer.

The bond market debacle spilled over into **Paris** stocks, which drew heavy selling and left the Indicateur de Tendence 1.9 off at 119.8. Leading the way down was Lesieur, reacting to a dip into loss by the oilseed group – at FFr 990 its fall on the day was FFr 139 or 12.3 per cent.

Other setbacks included FFr 16 for Thomson-CSF at FFr 373, and FFr 9.60 in Peugeot on FFr 226, but recently volatile Roussel-Uclaf managed a FFr 20 rise at FFr 1,625.

Frankfurt turned towards consolidation after the peaks set this week, and the Commerzbank index slipped back below the 1,100 point with a 5.6 retreat to 1,097.2. Chemicals drew the most business, on expectations of lower raw material prices, but by the close Hoechst was *just 30 pfg firmer at DM 186.80* and BASF had edged 50 pfg off to DM 176.50.

A quiet **Amsterdam** reversal showed disappointment with results from Philips, down Fl 3.70 at Fl 52.80, and insurer Aegon, off Fl 3 to Fl 136.50. Bonds tended easier.

Progress was managed in **Brussels**, particularly by Société Générale which rose BFr 70 to BFr 1,870 amid good demand for its rights. GBL, also undertaking a rights operation, picked up BFr 30 to BFr 2,105.

Stockholm extended its recent revival on turnover described as among the year's best. Gains of SKr 7 apiece took Alfa-Laval to SKr 203 and Sandvik to SKr 340.

Growing **Milan** volume brought advances led by industrial and insurance blue chips as liquidity remained high, while **Madrid** continued its retreat, led this time by the property sector and resisted only by food-related issues.

LONDON

Overseas factors distract

A NUMBER of good trading results failed to excite another drab London market yesterday as transatlantic factors – in the shape of a hefty overnight fall on Wall Street and persistant concern about U.S. economic prospects – distracted the attention of equity investors. The FT Ordinary index closed 6.5 down at 908.4.

Government securities, particularly index-linked issues, held up well, although conventional stocks fluctuated narrowly before finishing ⅛ down on the day.

Banks were unsettled by renewed suggestions of a possible rights issue from Lloyds which closed 8p down at 495p

Chief price changes, Page 30, Details, Page 31; Share information service, pages 32–33.

HONG KONG

SUBSTANTIAL selling pressure pushed Hong Kong lower during the last half-hour of trading with the Hang Seng index dropping 15.34 to 1,120.75.

The technical consolidation was widespread as Jardine Matheson fell 25 cents to HK$8.30, Hongkong Land was 13 cents weaker at HK$3.75. Even HK and Kowloon Wharf, which reported healthy profits growth, slipped 7 cents to HK$4.65.

AUSTRALIA

RESOURCE issues took the brunt of Sydney selling following weaker London metal prices and a surge in the U.S. dollar. The All Ordinaries index dropped 9.8 to 727.7 with the All Resources 10.3 weaker at 462.1.

Western Mining and Central Norseman slipped 16 cents each to A$2.88 and A$5.20 respectively, North Broken Hill was 14 cents off at A$2 and CRA turned 11 cents cheaper at A$4.91.

SOUTH AFRICA

A STATIC bullion price left most Johannesburg gold shares unchanged to slightly mixed against a backdrop of Government plans to abolish tax advantages for mine mergers.

Anglo American lost 10 cents at R23.90 prior to its denial that the proposed legislation would alter its plan to merge six Orange Free State mines into one unit. Free State Geduld, one of the mines affected, added 50 cents to R52.50.

CANADA

AN EXTENSION of the previous session's losses took most Toronto share sectors lower with some evidence of strength in golds and consumer products.

The decline in Montreal proved less acute.

An afternoon attempt at a rally, however, pulled prices off their worst in both centres.

Prices at 3pm, December 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	13¾	AAR	.48	2.6	16	31	18¾	18½	18¾	
30½	9⅛	AGS			6	63	10⅝	10⅜	10½	-⅛
17⅞	13⅛	AMF	.50	3.4	83	92	15	14⅞	14⅞	-⅛
41¼	24¾	AMR			5	3767	34⅛	33⅜	33⅞	+½
20⅞	18¾	AMR	pf2.18	11		1	19½	19½	19½	-⅛
41½	27½	AMR	pf2.73	6.1		625	35	33⅞	35	+⅛
25⅝	22⅞	ANR	pf2.67	12		2	23	23	23	
23	19	ANR	pf2.12	11		195	20	20	20	+½
15¾	8½	APL			3	6	9¾	9¾	9¾	+⅛
71¾	40¾	ARA	2.10	2.9	14	334	71¾	71⅛	71¾	+¼
69⅝	44¾	ASA	3	5.6		464	54⅛	53¾	54	
30⅞	16½	AVX	.32	1.8	11	158	18⅞	17⅞	18¼	+¼
48¾	36⅜	AbtLab	1.20	3.1	12	1923	39½	39	39¼	-⅛
23⅛	16½	AccoWd	s.44	2.2	17	31	20⅛	20	20⅛	+⅛
27¼	12½	AcmeC	.40	3.1		64	13¼	13	13	-⅛
12⅞	8¼	AcmeE	.32b	3.5	13	9	9⅛	9⅛	9⅛	-⅛
18¾	15	AdaEx	2.11e	13		100	16⅝	16¼	16⅜	+¼
18⅞	17⅞	AdmMl	.32	2.3	7	51	14¼	13¾	13¾	-⅝
21⅞	11¼	AdvSys	.611	7.0	11	614	12½	11½	11½	-1
41⅞	25⅞	AMD			13	4997	29⅜	28⅛	29¼	+1
14⅞	8⅞	Advest	.12	1.5		28	8⅛	8	8	
16¼	8⅝	Aerflex			10	1	10⅛	10⅛	10⅛	
39	27¼	AetnLf	2.64	7.4	30	1293	35⅞	35	35¾	+⅛
58¾	52⅞	AetL	pf4.40e	7.9		385	55¾	55⅜	55½	-⅛
34½	15¾	Ahmns	1.20	5.2	10	946	23½	22⅞	23¼	-½
5½	2⅞	Aileen				56	3	3	3	
48⅞	36½	AirPrd	1.20	2.6	10	1237	45⅞	45⅛	45¾	+½
30½	18	AirbFrt	.60	3.2	10	33	18¾	18½	18½	-⅛
4¼	1⅞	AlaMoa	3e	75.		237	4	3⅞	4	+⅛
7¼	6	AlaP	dpf.87	12.		24	7	7	7	+⅛
71	61½	AlaP	pf 9	13		z500	69	[illegible]	[illegible]	[illegible]

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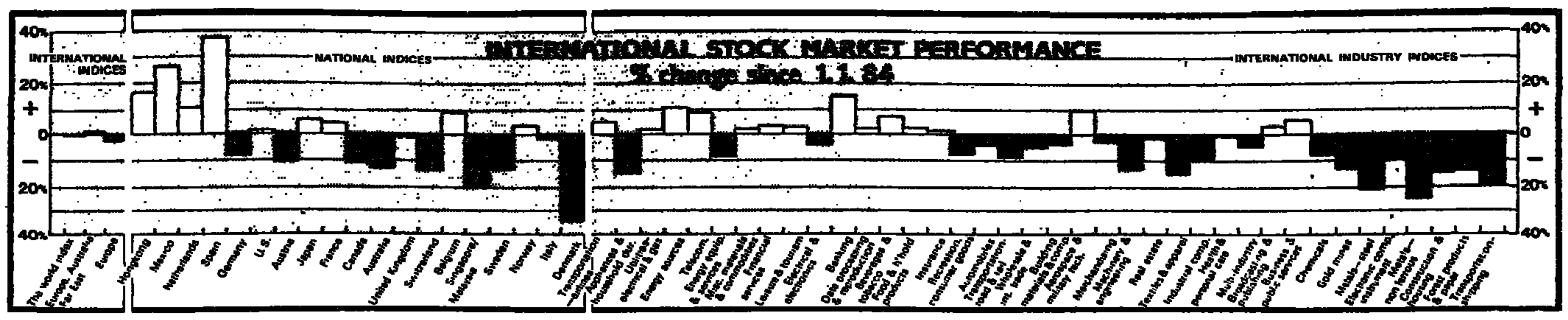
Continued on Page 29

FINANCIAL TIMES SURVEY

International Fund Management

Obstacles still remain but advances in technology are demolishing barriers to portfolio diversification and encouraging internationalisation of the world's capital markets



Source: Capital International (Geneva)—Measured throughout in dollars.

Increased emphasis placed on taking a global view

By BARRY RILEY

THAT U.S. Treasury officials should hold roadshows around Europe to sell U.S. Government bonds is not in itself such a giant stride in international finance. It was as long ago as 1803, after all, that Dutch investors bought the bonds which financed the Louisiana Purchase.

But the internationalisation of the major world capital markets is now proceeding at a pace which promises to transform the scale of cross-frontier financing. Already the Euromarket has developed a bond market which knows no real national boundaries.

Now, albeit with teething troubles, multi-centre equity issues are being launched. Reuters was floated last May simultaneously in London and New York, while British Telecom has been offered to investors in the U.S., Canada, and Japan as well as the UK (and, on a modest scale, to Continental European institutions too).

Much of the growth of international financing and investment has to do with technological change. Instant communication with virtually all parts of the globe has removed much of the fear of investors that they might be left in ignorance while the locals protected their own positions.

And dealing and settlement has become quicker and more reliable even if there remain irritating national differences in systems, and there is a long way to go before the transactions side can catch up with the instant reactions of monitor screens.

Meanwhile, many of the underlying investments have also become international in character. The growth of multinational businesses has required investors to adopt something of the same aproach. Smith Kline may be American and Glaxo British, but they trade in the same worldwide markets for drugs, and it has become increasingly unrealistic for investors to place them in separate compartments.

Of course, formidable obstacles still remain. Foreign exchange controls persist in many countries, or other more subtle barriers to overseas investment, such as restrictions on the shape of institutional portfolios. Accounting and disclosure requirements for companies vary substantially — a nettle which has been partly grasped in Japan, but hardly at all in several Continental European countries (though it is notable that a company like Fiat has begun to publish consolidated accounts).

But despite the obstacles, even the traditionally inward-looking investors of the U.S. are beginning to take overseas opportunities seriously — and there is keen watching of the Japanese scene, where liberalisation could lead to much greater purchases of overseas equities by Japanese institutions, which are already major buyers of dollar bonds.

In the past, the pioneers of international investment have tended to be investors in small countries like Switzerland or the Netherlands, where local markets have been small and the range of choice limited.

Now, even the Americans, with all the domestic choice available to them, are sending abroad sums which may still be modest in a domestic context but are making a big impact in a number of overseas markets.

Thus U.S. pension plans are estimated to have something like $15bn invested in foreign equities. The major single perceived opportunity has been to invest in Japanese growth stocks. But increasing numbers of pension plans are taking a broad view of global opportunities, influenced by the ERISA legislation which encourages trustees to diversify their portfolios as far as reasonably possible.

American financial theorists have convinced many pension plan sponsors that international investment can contribute to a more favourable risk-return ratio.

Recent results of this overseas exposure have not been particularly favourable for U.S. funds. The strength of the U.S. dollar has masked the underlying local currency gains in many markets worldwide.

WM Computer Services of Edinburgh (now split off from its former parent, stockbrokers Wood Mackenzie) monitors the performance of some 80 international portfolios geared to non-U.S. markets. In the four years to end-September 1984, these have achieved an overall return in dollar terms on equities of 7.7 per cent on an annualised basis—against 12.9 per cent on the Standard and Poors 500 Index.

The Far East, especially Japan, has performed well over the period, but Europe has been poor. Much the same has been true on a shorter, one-year view.

But, of course, many regard the recent levels of the dollar as being unrealistic, and a prolonged spell of dollar weakness could greatly increase the benefits of international exposure for American funds.

At any rate, U.S. pension plans appear to be maintaining their enthusiasm for overseas investment—though London fund managers report that there is some shuffling of investment advisers going on as trustees assess results extending over several years and come to conclusions about which managers are achieving their promised performance goals and which are not.

London managers have been particular beneficiaries of the internationalisation of U.S. institutional investment. American money managers have generally been slow to embark on global commitments, with a few exceptions such as Morgan Guaranty, Fidelity and Capital Guardian—and even they have relied heavily on London branch offices.

British merchant banks like Morgan Grenfell and Baring Brothers have seized their opportunities, sometimes through partnerships such as Rowe Price Fleming, an alliance between T. Rowe Price of Boston and Robert Fleming of London. Independent fund managers such as GT Management have also been active in the field.

Now Robert Fleming, through its Far Eastern joint operation Jardine Fleming, is forging an advisory link with Yasuda Trust and Banking. Initially the arrangements will be focused arrangement wil be focused on domestic Japanese funds but it might lead on to management of overseas money for Japanese domestic clients—a market which many managers are hoping to find a way of getting into.

Yet meantime a pull between East and West is leading to the break-up of Henderson Baring Management, a partnership between Baring Brothers, the London merchant bank, and Henderson Administration Group, the portfolio management specialists. Currently, HBM is managing £1.4bn of Far Eastern investments.

Henderson wants to compete for the international business of U.S. pension plans, but is required under U.S. regulations to split away from Baring which is already active in the ERISA field. Henderson will now set up its own Far East management capability.

London has a number of advantages as a centre for management of international portfolios. Apart from a long history as an international centre, and a reputation for ethical dealing, it is well-placed to become a time zone centre, falling neatly between the Far East and the U.S.

There have been recent signs that other European financial institutions are coming to terms with London's likely pre-eminence. Union Bank of Switzerland has agreed to buy Phillips and Drew, the leading London brokerage house—which has a fund management offshoot managing some £4bn.

The commitment of the British authorities to the internationalisation of London is crucial in such developments. The Government has agreed to the reduction of stamp duty, a securities transaction tax, and has been flexible in developing a fiscal framework for the financial futures and traded options markets.

And most crucially, the Government has pushed the London Stock Exchange into dropping many of its barriers to overseas participation. Membership rules are to be drastically revamped, and the market is to adopt trading methods closely modelled on the computerised NASDAQ system of the National Association of Securities Dealers in the U.S.

Several foreign-owned securities houses are likely to be granted licences by the Bank of England to become market-makers in the new-style gilt-edged market. Applications are to be invited early next year, and the new structure—similar to that effective in the U.S. Treasury Bond market—could become operational some time in 1986.

This is the kind of step which is gradually turning the multitude of national securities markets into an international network. It will be a slow process, and while it is encouraged by favourable conditions of the kind which have been seen in the past few years, future bear markets and financial crises are bound to lead to periods of retrenchment.

But the inevitable march of technology is demolishing barriers and encouraging today's portfolio manager to treat the whole world as his market.

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International Fund Management 2

Cross-border phenomenon

International Fund Managers

BARRY RILEY

SUCCESS these days in international investment management is not just a question of achieving good portfolio performance. It also depends very much on the ability of the fund management organisation to market itself to international clients.

The traditional emphasis of internationally oriented funds has been to collect money domestically and spread it around attractive overseas opportunities. This was the pattern with the Scottish investment trusts in the last century, for instance, and the Swiss banks have also thrived on the requirements of the wealthy middle classes in a small country where domestic opportunities have been relatively restricted.

The new phenomenon, however, is that investors even in major economies — the most notable example being the U.S. —are also becoming ready to put their money outside their own borders. Even the Japanese are moving in this direction, the country having become a major exporter of capital, though the Japanese markets continue to be tightly hedged around with controls.

There has thus arisen the opportunity for international investment expertise itself to be sold internationally. The big banks, with their global branch networks, have been the best placed to establish this trend.

Morgan Guaranty, for instance, was a pioneer some years ago in shifting U.S. pension plan money to London to be managed by its international division. But now, a great many much smaller operators are making an impact.

Thus the relatively modestly sized London fund management business John Govett, based on investment trusts, has arranged for the U.S. West Coast bank Security Pacific to take a roughly one-third stake in its equity. The idea is that the U.S. bank will now channel sizeable volume's of American clients' money to London to be managed globally by its British associate.

Another medium-sized UK investment trust management house, Touche Remnant, is tieing up with the Bank of Tokyo. The two have set up a joint London company to which the Japanese bank will refer business from its overseas branches (though Japanese rules prevent it from transacting investment business for its domestic customers).

And various independent fund management firms, mostly American or British, are sending their marketing men out on expensive trips to garner business, particularly from the diversifying U.S. pension plans.

Intermediaries

Their task is made a little easier by the appearance of specialist intermediaries such as Frank Russell and InterSec Research, one of whose roles is to advise clients on the choice of specialist managers. The trend in U.S. domestic fund management has been towards the division of large portfolios between managers with different styles, and applied on the international scene this gives quite small boutiques the chance to make their pitch.

Of course, a firm consisting of just two or three partners will find it hard to convince potential clients that it can successfully cover the world's markets (though several British unit trusts with global portfolios seem to prosper on minimal resources).

The big money continues to be placed with the major banks which have clear experience and depth of resources, although in conditions of rapid change in the securities industry — with correspondingly hectic activity on the part of headhunters—the poaching of top fund managers can be a problem.

These big banks usually have a rather highly structured style of operation—a "top down" approach in which individual fund managers have to fit in with quite rigid strategic decisions, made by a high-level committee.

This means that the exposure to various markets, currencies and industry sectors would be laid down, leaving only a limited area of choice in stock selection.

This will restrict the scope for sparkling performance, but will also reduce the risks. The extreme case of such an approach would be formal global indexation, representing an attempt to match the performance of a world index by investing proportionately in a large number of high-capitalisation stocks.

But there are a number of independent fund management companies which offer much more individual styles. They include GT Management and Ivory and Sime in the UK and Fidelity and Capital Group of the U.S. Such managers seek to achieve above-average performance though they also charge comparatively high fees.

Fee levels, incidentally, are something of a bone of contention for the independents, who claim that they are unfairly undercut by the banks. The suggestion is that although the banks' direct fees appear to be low, the banks make a variety of other charges through the back door, in everything from inflated currency dealing costs to unnecessarily high custodianship charges.

The independents usually have a distinctive view on how to approach global management. Some, like GT, have a string of local branches around the world—while Ivory and Sime prefers its people to operate out of one office, so that the style of the house can be kept under closer control.

Some are heavy users of brokers' research material but Capital Group, which runs global funds through Capital International, insists on conducting its own expensive research at the corporate level, on the view that consistent long-term performance is likely to be achieved only by those who refuse to run with the herd.

Meanwhile, there are many variations on the theme of international management techniques. Some managers like simply to search out the best companies, wherever they may be; others prefer to work on an industry basis, developing expertise in sectors such as high technology or energy; and still others are structured on a geographical basis, aiming to make money out of market timing or even swings in currency exposure, as well as stock selection.

Imperfect guide

Various performance measurement services are being developed on an international basis, and the results of these will clearly have an important influence on the decisions of clients when they hire and fire managers. But historical performance can only be an imperfect guide to the results that might be achieved in the future.

Much will depend on the continuity of management that can be achieved. With the rapid pace of developments in international fund management, personnel turnover tends to be rapid. The smaller independents are theoretically more vulnerable, but in practice can often achieve stability through personal shareholding arrangements for key managers.

Another key question concerns the attitude of clients to the kind of broadly based international financial services conglomerates that are being created. They are designed to pull in business through international marketing networks. But they will have to satisfy clients that their interests will not be compromised by conflicts between the various arms of such wide-ranging groups.

Profile: Fidelity International

By Stefan Wagstyl

Strengths of independent role

FIDELITY INTERNATIONAL thinks of itself as one of the most international of investment management groups.

Launched as the international arm of FMR (Fidelity Management and Research, the largest independent mutual fund company in the U.S., it started life in 1968, managing offshore funds in Bermuda.

A year later it became the first fund manager to open an office in Japan, followed by one in Hong Kong. The group is a recent arrival in London —it launched its first UK unit trusts in 1979 and began managing British pension funds in 1982.

The last five years have seen particularly rapid growth at Fidelity International: funds under management have leapt from $490m in 1979 to $2.3bn at the end of last year, divided between U.S. pension funds (35 per cent), other institutional funds (29 per cent), offshore funds (27 per cent and unit trusts (9 per cent).

But Mr James Tonner, managing director of Fidelity's London subsidiary, says that this expansion has been carefully controlled. Fidelity ensured that growth in assets did not outpace growth in staff, now numbering 230 worldwide.

In Fidelity's view, three elements lie at the heart of its continuing development and distinguish it from many other investment management groups.

First, the group is very proud of its independence. It is separate from Boston-based FMR which spawned it, although the founding Johnson family retain controlling stakes in each concern. The remaining equity of Fidelity International is in the hands of managers like Mr Tonner.

Independence means that the group is free to concentrate on its investment management role, without the need to conform to the wishes of a larger organisation. "We have no ambition to become a bank, merchant bank or insurance company. We are investment managers and nothing else," says Mr Tonner.

The second distinguishing element of Fidelity International is its emphasis on decentralisation, with offices staffed by nationals of the country in which they are located. Expatriates are sent abroad only to Hong Kong.

Choosing shares is the responsibility of the local office—so a UK pension fund would have, in addition to a UK team, managers in the U.S., Tokyo and Hong Kong. Mr Tonner says that in this way Fidelity is much more sensitive to the peculiarities of each market.

The third theme of Fidelity's development has been its deliberate specialisation in equity management. It believes that its particular skills lie in stock selection, relying both on fundamental and technical (chart) analysis and on visits to over 2,500 companies a year, world wide.

Fixed-interest investments play a very small role in pension fund management. The group says it is after long-term growth in assets and in dividends to match the long-term liabilities of the funds it manages. And it is prepared to stick its neck out, taking large positions if it believes in a particular market or stock.

Fidelity does have an eye for the eventual opening up of the management of Japanese funds by foreign investment groups. But it sees its immediate future in the U.S. and the UK, where its pension fund clients include General Electric (U.S.), IBM, and Tate and Lyle.

The growing desires of U.S. funds to look overseas must clearly offer tempting prospects to Fidelity. U.S. pension funds invest only 5 to 10 per cent of the monies abroad—compared with 20 per cent for British funds. But the proportion has grown rapidly from only 1 to 2 per cent five years ago.

Multi dimensional approach required

Performance Measurement

ERIC SHORT

THE measurement of the performance of funds has assumed an important central role in the international investment scene.

Nowhere is this development happening more rapidly or radically than in the field of pension fund investment.

With exacting demands being imposed on investment managers those organisations providing pension fund performance services are now producing detailed in-depth analysis of performance of funds in order to quantify and explain the actual performance and achievements of investment managers.

It is no longer sufficient to adopt a one dimensional approach to performance measurement, simply calculating the overall mean time/weighted rate of return for the whole fund. A multi-dimensional approach to performance measurement is required to meet the current demands not only of employers, but of the investment managers themselves.

The aim of performance measurement, as far as pension funds are concerned, is not just to show whether the fund is meeting its primary target of out-performing inflation by an adequate margin, or even beating the indices. It is to provide enough data to enable trustees to understand what performance means, what has been achieved, and to portray in figures and words the style of investment managers.

This requires a sophisticated approach to performance measurement, breaking down the overall return into its component parts and analysing the returns of each part. It means analysing how the returns arose — the effect of stock and sector selection and the effect of timing of investments.

The internationalisation of investments, with fund managers now investing a substantial part of their assets overseas, even though the liabilities are still wholly in the UK, has added new dimensions to performance measurement and introduced fresh problems to those specialising in performance measurement.

The first feature in this new area is that overseas investment has highlighted the importance of risk as a major factor in investment. Risk has always been present even when managers invested solely in the UK. But its appreciation becomes essential in overseas investment.

Not only is there the risk associated with investing in an equity or property market that prices and values can fall and dividends and rental income be curtailed. There is the added risk of currency movements, exchange rate fluctuations, and the political risk of not being able to repatriate assets or even the ultimate loss of the assets.

So the measurement of performance ought to incorporate a risk factor in the analysis, though there are differences of opinion on how this is done.

WM Computer Services, the leading firm providing performance measurement, adopts the approach of showing the range of returns for the various investment sectors for all the funds it analyses. By looking at the range the client can assess the risk. This is accompanied by an explanation of the results which would refer to risk.

The second major feature in analysing overseas investment performance lies in the lack of suitable indices for measuring performance on a worldwide basis. The only index available is the Capital International World Index, which integrates the movement of 18 stock markets, including the UK, with respective currency changes against the U.S. dollar in producing a single index figure.

This index is used by CAPS (Combined Actuarial Performance Services) mainly because there is no other available. WM Computer Services prefers to analyse individual funds against the aggregate, using the overall experience as an index.

The fund managers themselves are making increasing use of performance measurement service. Both WM Computer Services and CAPS offer two services—one to trustees, the other to investment managers. They regard this as the ultimate independent measure of how managers are performing and it enables them to identify successes and mistakes.

But very few funds publish comprehensive performance figures in reports to members It is usually just the overall return. One exception is Courtaulds which does provide such figures, possibly because its performance is very good. But having started the practice, the fund managers will have to continue, whatever the future performance.

However, performance measurement is not confined to pension funds. Stockbrokers Wood Mackenzie have brought about a very sophisticated analysis of investment trust performance for the Association of Investment Trust Companies, which analyses the various components and performance of managers.

This makes the unit trust performance measurements based on unit prices somewhat crude. The Unit Trust Association is looking at more sophisticated methods.

Pace of overseas investment quickens

U.S. Pension Funds

TERRY BYLAND

THE RATE of increase in the overseas investment by the U.S. pension industry has gathered pace rapidly over the past 18 months, spurred on by fundamental investment factors as well as the continuing effects of the Employee Retirement Income Security Act (ERISA) now a decade old.

The renewed surge in the U.S. dollar during 1984, together with a wider consciousness in the U.S. financial community of investment opportunities in foreign stock markets, have obliged fund managers and trustees to widen their approach to securities investment. The original ERISA requirement for funds to "diversify," has long been supported by solid investment criteria.

The steady growth in funds looking for overseas investment has inevitably increased the number of money managers seeking a share of the business. But the newcomers are not finding it easy to break in—the latest statistics compiled by Intersec Research, the Connecticut-based consultants on international diversification in the pension industry, indicate that the "20-80 rule" is still in in place—that is to say that 20 per cent of the managers still manage 80 per cent of the assets.

Growth in overseas ERISA assets is now outstripping previous forecasts by a wide margin. At mid-year 1984, $15bn in U.S. pension funds were invested overseas, already an increase of $3bn since the previous year end. Intersec expects a further $3bn to be added by the end of this year, which would indicate a rate of growth of about 51 per cent. Well before the end of the decade, the total is likely to rise to around $40bn, which would make up about 4 per cent of total ERISA assets.

Moreover, individual pension funds are raising their sights for overseas investment, a trend which could change the overall picture dramatically. The average commitment of corporate funds overseas has now comfortably achieved the 5 per cent target put forward, somewhat hesitantly in the days after ERISA was born. The most recent surveys of corporate attitudes suggests that funds are now expecting to put 10 per cent of their aggregate into non-U.S. investments within three or four years.

Traumatic times

The attraction for pension fund managers of increasing commitments overseas has been only too clear over the past 18 months, which have seen difficult and sometimes traumatic times on the U.S. markets. The majority — 80 per cent at end 1983 — of ERISA overseas assets are in equities, where the contrast between Wall Street and other world markets has been painful on occasions.

ERISA fund managers have been spared the worst misfortunes of other U.S. fund managers. Mutual funds, for example have largely underperformed against the Standard Poor's indices since the second-half of last year. Only those mutual funds specialising in overseas markets have succeeded in beating the trend.

Most of the 75 U.S. institutional portfolios included in Intersec's Non-U.S. International Equity Universe managed to top the performance of the Standard Poor's 500 Stock Index in 1983, and most also beat the composite Europe, Australia, Far East (EAFE) Index.

On the other hand, ERISA funds may have missed out on the strength of the U.S. bond markets, partly because overseas investments have been heavily concentrated in equities. At end-1983, 80 per cent of ERISA overseas assets were invested in equities.

The tussle for the lucrative business of managing the burgeoning overseas assets of the pension funds continues apace, and its course indicates that amateurs need not apply. A growing portion of these assets are now offered for management to international investment specialists as opposed to general managers claiming expertise in both domestic and overseas markets.

Several such appointments were made by funds turning for the first time to overseas opportunities, indicating that as more pension funds are drawn into the net, there will be increasing need for fund managers to specialise.

Of the 80 or so investment advisers competing for the overseas ERISA funds, Morgan Guaranty still leads the field, with its total of $2.2bn of American funds managed outside the country standing at well over double those of its nearest rival. But the list of the top dozen managers shows that the UK challengers have increased their grip over the past two years.

Schroder Capital Management International, with $300m, Kleinwort Benson International Investments with $312m, and Morgan Grenfell with $802.2m have all significantly increased their ERISA assets.

The experience and proven track records in cross-frontier investment of the UK managers marked them as natural beneficiaries when ERISA first opened the door for U.S. pension funds to place assets outside the U.S. The strong gains recorded by UK managers already in place as ERISA managers contrasts with another significant trend which disclosed itself last year.

Lower proportion

For the first time for several years, 1983 saw managers with head offices outside the U.S. representing a slightly lower proportion of the total. As more ERISA funds are drawn into overseas investment, it is clear that an office in the U.S. is becoming an increasing advantage.

But also significant is the growth in joint-venture management, which rose from eight to 10 last year. The increasing costs involved in establishing a credible presence in this highly competitive marketplace suggest that joint ventures will continue to increase. Managers able to offer the stock market expertise are often unable to provide the mundane banking services for moving money around the world, collecting dividends, and the like, which are often of primary importance to the fund trustee.

Inability to provide the visible funds on the due date is discouraging for the fund which has only just ventured abroad for the first time.

But the current totals of actively operating fund managers should not be taken entirely at their face value, since there is undoubtedly a growing list of managers seeking, or actively preparing entry to the field. Many of these prospective managers are held back by their awareness of the heavy, and expensive competition for new business. Managers have to offer a significant presence in the U.S. if they are to attract the confidence of fund trustees. The six new managers appointed last year were evenly divided between those with investment functions in the U.S. and those with the same facilities overseas.

And, there is another side to the coin. Some managers have withdrawn, or decreased their presence in the business. Last year saw Robeco International Investment advisers shed the $70m in ERISA assets formerly managed. Ivory Sime, of Edinburgh witnessed a 35 per cent cut in its ERISA portfolio.

Management of ERISA overseas funds now appears to have established itself as a permanent and specialised area of management. There is little doubt that assets growth is in for several more years of substantial improvement, although a reversal of the dollar's strength could check the pace.

The U.S. managers, headed no doubt by Morgan Guaranty, will continue to fight hard to reduce the management share held by their non-U.S. competitors. While the cake may be a big one, the largest slices are likely to end on the plates of the most competitive and effective managers.

A reversal of trends

International flows

TONY JACKSON

IN THE world of international investment flows, it goes without saying these days that the overwhelming influence is the U.S. As the soaring dollar testifies, money is pumping into America, to fill the yawning gap of the Federal budget deficit and to take advantage of the high interest rates of which the deficit is at least partly the cause.

However, as the U.S. Treasury statistics make clear, portfolio investment is at present a declining part of the inflow. In the first half of this year, foreign purchases of Treasury bonds and notes totalled a net $3.9bn—a far cry from the full-year figure of $17.3bn in 1982; and in June, foreigners sold a net $49m.

More pronounced

On the U.S. equity side, the decline is a good deal more pronouced. In 1983, foreign purchases accounted for a net $5.4bn; but in the first half of this year, the figure was a mere $79m, with the last two months of the period producing net sales of $0.8bn.

On this side of the Atlantic, it is clear that UK investors are beginning to fight shy not only of the U.S., but of overseas investment in general. Since the removal of exchange controls in 1979, the UK institutions had been making up for lost time in grand style, with investment in overseas equities exceeding UK equity investment in each of the years 1981-83. Logically, however, there had to be limits to this, if only in terms of matching assets and liabilities in the same currency.

Recent figures to mid-1984 show a remarkable reversal. Since the last quarter of 1982—the time of a rampant bull market on Wall Street—overseas investment by UK institutions had shown a gradual decline, as funds had approached their targets for overseas exposure. But in the second quarter of this year, there was for the first time a net sale of overseas equities, *to the tune of £748m.*

The trend in foreign bond investment has been less marked, if only because the UK institutions, with a lengthy experience of investing in the U.S., have always tended to look to the higher returns available through skilful stock-picking in the U.S. equity market. In 1983, UK insitutional investment in foreign bonds totalled a mere £0.5bn, against an equity total of £2.7bn. Even so, there has been a tailing off of late; in the first quarter of this year, investment in foreign government bonds was £200m, falling to £80m in the second quarter.

In the world's second largest equity market, Japan, the recent trend of the inflow of foreign money has been highly volatile. In 1982, foreign purchases of Japanese equities totalled a net $1.6bn, and in 1983 $4.1bn. But in the first quarter of this year, there were net sales by foreigners of $0.5bn, and in the second quarter further massive sales of $4.8bn. But the latest reported month — August — showed a recovery, with purchases totalling a net $363m.

On the fixed interest side, the trend has been steadier. Against a total $4.9bn of overseas purchases of Japanese bonds in 1982, the 1983 figure was $2.1bn. But recovery is already evident in the current year, with the halfway total at $2.2bn and the trend apparently continuing upwards.

As to overseas investment from Japan, the picture in equities has been similarly mixed. In 1982, Japanese investors put a net $151m into foreign equities; in 1983, $626m. But in the first half of this year, the total has been a mere $19m net, and in August there was hefty net selling of $122m.

Level best

As to bonds, though, it looks as if Japanese investors have been doing their level best to plug the U.S. budget deficit.

The trend here is remarkably consistent. In 1982, net purchases of foreign bonds by Japanese investors came to $6.1bn, and in 1983 $12.5bn. In *the first half of this year alone,* the total was a formidable $9.2bn, with a further $2.4bn in August.

According to the Nomura Research Institute in London, a good 50 per cent of that buying will have gone into U.S. Treasury bonds. In the UK, most investors stick doggedly to the view that the dollar is heading for collapse, or at least significant weakness. It would appear that from Tokyo the view looks different.

The round the clock future

New markets

MAGGIE URRY

THE SUN never sets on trading in financial futures and options. Originally a U.S. development, markets in futures and options have been set up around the world, with the Far East time zone gap now being plugged.

While options are an old idea, the principle of trading options is newer, and financial futures only date from the early 1970s. Traded options markets opened in Europe in the late 1970s and 1982 saw the *beginning of financial* futures trading in London.

In September this year the Singapore financial futures market opened its doors, while New Zealand begins financial futures trading this month and Hong Kong's market is expected to open in January, starting trading a contract based on the Hang Seng index. Now the Japanese are seriously considering the establishment of a bond futures market. Finance Minister Noboru Takeshita believes that such a market would facilitate the large refunding of bond issues which starts next year.

The whole rationale of futures and options trading is the management of risk. By using these markets fund managers can reduce or, if desired, increase their exposure to risks of exchange rate movements, interest rate changes and stock market volatility. Futures and options contracts around the world cover a huge variety of currencies, long and short interest rates and both whole stock markets and individual shares.

That enables portfolio managers to hedge their risks on bond, and equity portfolios both domestic and international. A simple example of these markets' use is that of a UK fund manager who expects the equity market to fall, say, 10 per cent *but* who does not want the trouble and expense of selling shares only to buy them back.

Since the London International Financial Futures Exchange and the Stock Exchange began trading futures and options contracts based on the FT-SE 100 index in May this year, such a portfolio manager has been able to avoid that 10 per cent loss.

In the futures market he could sell (go short of) contracts, and when the equity market had fallen as he expected, he could buy them back at a lower price, so making a profit in the futures market to offset the loss on his equity portfolio. If he was wrong about the market's fall, he would lose money in the futures market, while making a profit on his shares.

Using the traded options market puts a limit on the risk the fund manager takes. In the futures market he could see losses mounting if the market moves against him. In options his loss is limited to the original cost of the option.

The same fund manager expecting the equity market to fall could buy a put option, giving him the right to sell the index at a certain level. As the market falls below that level, the put option's value will rise and the fund manager can sell the option and take the profit. If he is wrong and the market rises then the option will become worthless and *he* will lose the original purchase price.

Strategies for using the futures and options markets have become much more complex than these basic examples though. The markets can be used to isolate part of a risk—for instance a UK portfolio manager might want to buy U.S. equities but is worried that any capital gain there, could be wiped out by a loss if the dollar falls.

By hedging the exchange rate risk through either the futures or options markets he can avoid that part of the risk, while keeping the exposure to movements in the U.S. equity market. Foreign currency options are growing rapidly in the U.S. and Liffe may decide to start them in London to replace its exchange rate futures contracts.

Fund managers in the U.S. have become experienced at using these markets and many now consider them a vital part of portfolio management. They have discovered that correct use of these markets can improve their performance, and in the highly competitive world of fund management, that is important.

The concepts are newer in the UK though, and so far fund managers have been slow to get involved in what many still regard as speculation.

In a recent speech, Mr George Dennis, of the £7bn Postel pension fund, said that fund managers should make more use of the markets. He pointed out that the Liffe's gilt contract was particularly useful, providing a cheaper way into gilt-edged stocks than through the usual markets.

While education of fund managers should increase the use of the markets in London, there are also legal problems. Many fund managers are work*ing under Trust deeds written* before such new-fangled markets were dreamt of, and which must be changed before funds can be invested in futures and options.

Taking the risk in search for rich rewards

Venture capital

TERRY GARRETT

VENTURE capital has become one of the buzz phrases of the financial community in the last few years. Where there were just a handful of financial institutions specialising in risk investment for young growing companies in the late seventies, today there are around 100 sources of capital for the entrepreneur.

But it is still a problem to define venture capital. Unfortunately, the phrase seems to mean all things to all men and has become so widely used as to cover virtually every equity investment other than a public offering of shares.

Americans, who often claim to have nurtured the whole venture capital concept from its embryo stage, generally argue that any investment made at any stage in a company's development prior to a public listing could qualify as venture capital. The criteria is not when the investment is made but whether or not the ultimate ambition is capital growth—that and the amount of involvement by the investor. The American concept favours a close involvement on the part of the investor in the general running of the business.

In the UK, venture capital has been used to describe an equally wide range of investments from management buy-outs to pure start-up situations. The main difference between the UK and U.S. is that the British venture capitalists tend to be offshoots of institutions or banks with a more distant "hands off" approach, leaving the directors to run their own companies.

In theory, the American purists would claim, a venture capitalist should be able to provide a company with a great deal more than a simple cash investment backed with a non-executive board member turning up a dozen times a year. The investor should have a depth of knowledge at his disposal to become closely involved in the day to day running of the business. This may, of course, mean changing the investor's representative at the company through its various stages of development.

In the UK a surprising number of venture capitalists claim to adopt a "hand-on" approach. But in reality the number that could live up to the American description is probably very limited. Possibly the seeds of failure are already being planted by the rather passive involvement of British investors. But unlike the U.S., the British market is yet to experience any great shake-out in venture investments and euphoria still abounds. Callous it may seem, but few failures many encourage a closer involvement with future investments.

And failures there will most certainly be. True venture capital investment must logically relate to young companies or start-ups, no matter what some investors are arguing. In those circumstances some failures are inevitable.

ICFC has more experience than anyone in the country and according to Miss Sue Palmer, a manager at 3i's south London headquarters, history shows a failure rate of one in every three start-ups it backs despite close monitoring.

Undoubtedly some of the recent entrants into the venture capital game are hoping for a better survival rate than that, but to achieve it they may have to concentrate on development capital rather than riskier venture capital.

Nevertheless for the present the venture capital industry (taking a fairly loose definition) is booming. Exactly why this should be is not obvious though a number of features are clear. The attitude of Government towards developing businesses has been a spur and the Business Expansion Scheme has played its part, though there are as many venture capital funds outside of the BES umbrella as under it.

Also the rapid expansion of high-tech companies, which have shot up almost overnight, is encouraging investors to participate in the "sunrise" industries. There is also a greater awareness among the latest generation of entrepreneurs that they have to give away some equity to raise money.

Finally the advent of the Unlisted Securities Market and the miriad of over-the-counter markets established by licensed dealers has given investors an easy exit route from a successful company in a few years time. That is perhaps the most important point of all — for institutions the ultimate reward of venture capital is to cash in on some healthy capital profits.

MERGERS AND ALLIANCES OF SECURITIES HOUSES

Purchaser	Date	Deal
Security Pacific Bank	June 1982 July 1984 April 1984	Hoare Govett 29.9 per cent £8.1m* Security Pacific indicates that it will raise stake to 80-90 per cent valuing Hoare at £78m Charles Pulley 5 per cent†
RIT and Northern (Charterhouse J. Rothschild)	November 1982 November 1983 April 1984 June 1984	Kitcat and Aitken 29.9 per cent £0.5m* Charterhouse Group (merger)‡ Hambro Life 24.9 per cent—£126m‡ Joint venture with Nikko Securities‡
Citicorp	November 1983 September 1984	Vickers da Costa 29.9 per cent plus 80 per cent of Far Eastern operations—£20m* Merged Vickers da Costa and Scrimgeour Kemp Gee—29.9 per cent*
Mercury Securities (S. G. Warburg)	November 1983 August 1984	Akroyd and Smithers 29.9 per cent—£41m† Rowe and Pitman Mullens*
Yorkshire and Lancashire Investment Trust	November 1983	Wishart and Brodie 10 per cent*
N. M. Rothschild	December 1983	Smith Bros 29.9 per cent—£6.5m†
Charter Consolidated	January 1984	Rowe and Pitman 29.9 per cent for £16.2m*
National Westminster Bank	February 1984 July 1984	Bisgood Bishop 29.9 per cent. Deal values Bisgood at £18.6m† Fielding, Newson-Smith—29.9 per cent*
Mercantile House	February 1984 May 1984	Alexanders Discount £29m‡ Laing and Cruickshank 29.9 per cent £7.5m* and Jessel, Toynbee and Gillett estimated £21m‡
Barclays Bank	March 1984	de Zoete and Bevan—5 per cent* and Wedd Durlacher Mordaunt—29.9 per cent at £30m†
Samuel Montagu	March 1984	W. Greenwell—29.9 per cent*
Hambros	March 1984	Strauss Turnbull—29.9 per cent*
Britannia Arrow	April 1984	Singer and Friedlander 87.5 per cent—£52m‡
Morgan Grenfell	April 1984 May 1984 October 1984	Pinchin Denny—29.9 per cent† Target Group 19.9 per cent £10.4m‡ Pember and Boyle—5 per cent*
Deutsche Bank	November 1984	4.99 per cent stake in Morgan Grenfell—£14m‡
Scott Goff Hancock	April 1984	R. Layton (merger)*
Skandia	April 1984	Quilter Goodison—29.9 per cent*
Guinness Mahon	April 1984	White and Cheeseman—29.9 per cent†
Banque Bruxelles Lambert and Pargesa	May 1984	Henry Ansbacher—29.9 per cent‡
Refuge Assurance	May 1984	Leopold Joseph—29.9 per cent‡
Baring Brothers	May 1984	Henderson Crosthwaite (Far East) approximately 75 per cent*
Exco International	May 1984	Galloway and Pearson 29.9 per cent*
Granville and Co	June 1984	R. A. Coleman 29.9 per cent*
Hill Samuel	June 1984	Wood Mackenzie 29.9 per cent valuing Wood Mackenzie at £20m*
Kleinwort Benson	June 1984	Grieveson Grant—5 per cent. Deal values Grieveson at £44m* and Charlesworth and Co—29.9 per cent. The jobber is valued at £800,000†
Shearson Lehman-American Express	July 1984	L. Messel—5 per cent*
Grindlays Holdings (part of Australia and NZ Banks Gp)	July 1984	Capel-Cure Myers—29.9 per cent*
Lancashire and Yorkshire Investment Company	August 1984	Battye, Wimpenny and Dawson—25 per cent with an option to increase to 29.9 per cent*
Hongkong Bank	August 1984 October 1984	James Capel—29.9 per cent* James Capel forms joint company with Gerrard and National to make markets in British Government securities‡
Dow Scandia	September 1984	Savory Millo—29.9 per cent*
Union Bank of Switzerland	November 1984	Phillips and Drew—29.9 per cent*
Chase Manhattan	November 1984	Laurie, Milbank; Simon & Coates*

Key: * Stockbrokers; † Stockjobbers; ‡ Discount houses, merchant banks and others.

OTHER ARRANGEMENTS

July 1984
Prudential Bache Securities of the U.S. holds 29.9 per cent in PB Securities, Down de Boer and Duckett, a UK stockbroker it formed itself the previous December and which started trading at the end of July.

August 1984
Schroders holds 29.9 per cent in Helbert Wagg and Co., Anderson Bryce Villiers, a firm which it forms around three former members of Panmure Gordon.

Source: Laing and Cruickshank; Financial Times.

Shake-up of the securities markets

THE pressure for radical change within the UK financial community in the past year or so has proved irresistible. Virtually all the large stockbrokers have formed links with interests outside the stockmarket, while other financial conglomerates are developing rapidly.

The unprecedented upheaval in London's securities markets have been caused by a number of factors. The abolition of exchange controls in 1979 led to an enormous growth in portfolio investment overseas.

Over the past two years more institutional money has been invested overseas—£10.3bn—than in the UK equity market—£9.8bn. UK institutional investors have become more sophisticated, aware of the different ways of doing business with different dealing systems. They have become more critical of the way business is done in the UK.

U.S. investors also began to increase their involvement in UK stocks. International competition for business intensified in London and securities firms found that they were at a disadvantage to their U.S. and other overseas rivals. The compartmentalised structure of the UK securities market, and its weak capital structure, militated against the likely success of UK securities firms in the future.

Deregulation of the London securities market in the summer of 1983 changed that. In order to survive in their potentially highly competitive domestic market and to establish a role in international trading securities firms were forced to turn to rich partners outside the walls of the London stock exchange (see table above). The Stock Exchange has steadily been relaxing its rules and the process is continuing, which in turn is forcing further change.

These changes represent London's effort to participate significantly in the global market place. Investment structures, modelled on U.S. lines, are being formed; links are being established with major firms in other financial centres such as Hong Kong and Tokyo as well as the U.S. New international dealing arrangements are being formed within existing London firms often on a joint venture basis.

Traps for unwary overseas investors

Taxation

ERIC HENBREY

IT IS tiresome enough that investors have to concern themselves with taxation in their home countries, but their problems are multiplied when they decide to invest internationally.

Many decide that they do not wish to be involved with foreign taxes, and there are investment opportunities to assist that desire. Such problems are least in the Eurobond market, where the yield on investments is invariably obtained free of all taxes. First class bonds denominated in all the major currencies are available yielding gross interest free of withholding taxes.

If investors are seeking equity appreciation the Eurobond market offers a wide range of convertible bonds the income yield and capital appreciation on which is free of tax. Furthermore, bearer bonds are the norm and provide the anonymity that is often so precious to investors.

Withholding tax on interest and dividends is the most common tax hazard for international investors. The theory of withholding tax is that the foreign investor, deriving income from within a country, should suffer a measure of taxation by that country. In the case of interest the theory does not work in practice.

Fiscal authorities in countries needing imported capital seem slow to recognise that withholding tax is a burden that tends to fall upon the borrower, because foreign lenders insist upon receiving their interest gross. Escape valves are necessary, so in the UK Government funding is facilitated by the Treasury's power to designate Government Stocks as tax free to non-residents.

The Eurobond market has provided an escape valve for corporate borrowers in the UK, U.S., and elsewhere by permitting them to borrow externally through financing subsidiaries in countries, like the Netherlands, which impose no interest withholding tax. It is interesting that currently the UK, U.S. and most recently France and West Germany are recognising this and repealing, at least to some extent, their interest withholding tax.

It is unfortunate that such progressive initiatives are so often undermined by the tax administrators persuading the legislators that complete freedom will lead to massive evasion by home nationals.

> Dealing with tax on home-based investments proves tiresome enough for many fund managers but the problems multiply when a portfolio is spread internationally

The ultimate example of this administrative sabotage has just occurred in the U.S. where the Internal Revenue Service have ruled retrospectively that some 10 important Eurobond issues launched on a tax-free basis are in fact subject to withholding, a ruling hardly likely to inspire confidence in future issues.

The recent change in the UK provides a trap for the unwary foreign investor in the Eurobonds issued by UK parent companies (the issues by Hawker Siddeley and Rowntree Mackintosh are the first examples). Although the bond interest may be paid free of withholding tax, it remains theoretically subject to UK income tax by direct assessment.

In most cases the Inland Revenue does not seek to assess. However if it identifies somebody in the UK managing the foreign investor's bond portfolio on a fully discretionary basis the Inland Revenue may seek to charge the investment manager to income tax, as agent for the investor, on the interest from the UK issued bonds.

This is one of a number of points on which a change of law has been long sought so that foreign investors can come to London for investment management confident that they do not risk exposure to UK tax as a result.

International investors seeking capital appreciation have many opportunities to realise gains free of tax. Only exceptionally do countries charge foreign investors with capital gains taxes when their only connection with the country is a portfolio investment. Hence international equity investors are often content to live with withholding tax on dividends if their primary objective is capital growth.

International investors have to contend not only with income and capital gains taxes but also with estate and gift taxes. For example a foreign investor may incur a capital transfer tax liability should he be unfortunate enough to die owning a substantial portfolio of UK equities. A simple, but normally effective solution to this problem is for the foreign investor to incorporate a company outside the UK which actually owns the investments.

A similar technique can be effective for investment in other countries. Nor should international investors overlook the incidence of transaction duties, such as the 1 per cent stamp duty in the UK, although with forethought they may be avoidable, e.g. by purchasing UK equities in New York in the form of American Depositary Receipts.

International investment is not confined to bonds and equities. Much foreign investment has been made in real estate and oil and gas properties, particularly in the U.S. This is despite the fact that since 1980 foreign investors in U.S. real estate, which includes oil and gas interests, have become chargeable to U.S. capital gains taxes.

Few investors have the means to invest individually in real estate and several investment funds have been launched. They have taken a variety of forms—unauthorised unit trusts for UK pension funds, limited partnerships, for investors in West Germany particularly, and tax haven companies for international investors generally.

Tax looms large in the structuring of these funds—in order for example to minimise U.S. income and withholding taxes on the rental flow generated from real estate investment. This is an area where the international investor and his tax planner are currently under siege particularly by the United States Revenue.

Much real estate and oil investment has flowed through the Netherlands and/or the Netherlands Antilles because of their favourable double taxation treaties with the U.S. The U.S. is seeking to renegotiate those treaties in an effort to prevent their use by investors resident elsewhere.

Apart from these and other specialist commodity, venture multiplicity of funds for more capital etc. funds, there is a conventional investment in bonds and equities. UK management groups are prominent in this.

Apart from a wide choice of domestic investment and unit trusts, they offer an equally wide choice of open-ended funds established offshore which are free of corporation tax and so attractive to foreign as well as UK investors.

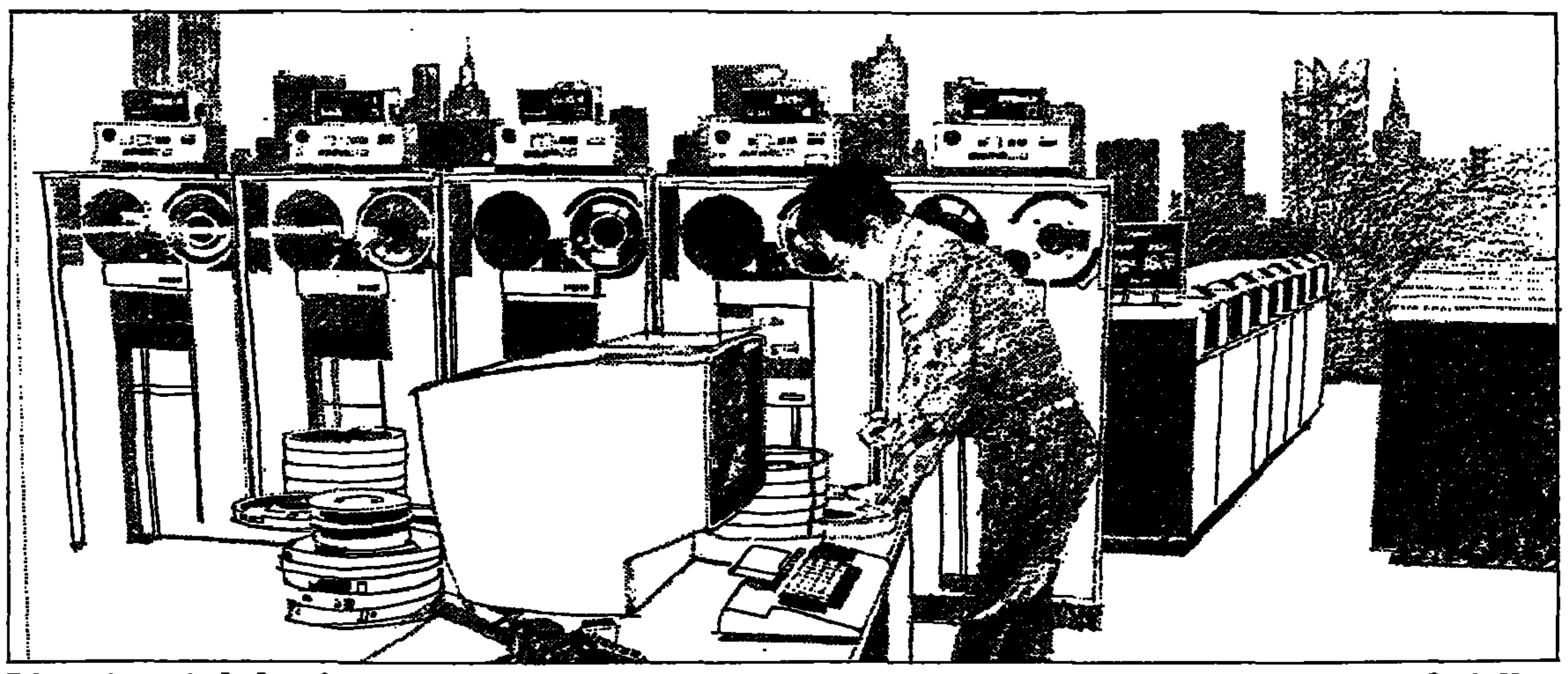
It is unfortunate for UK investors that these offshore funds can be caught by the recent roll-up fund legislation for some technical reason, for example too large a single investment, even when they distribute all their income. This overkill has the penal consequence that capital appreciation can become income taxable to UK investors.

Legislation against offshore funds such as that in the UK sometimes appears discriminatory against the small investor who invests collectively—it may even represent a subtle form of exchange control, the investment currency premium being a thing of the past. However it shows little sign of reducing the number of new offshore funds competing for investors' attention.

This article has not ventured into what may be the first preoccupation of the international investor—what will be left of the return on his investment when his home fisc has taken its share? The exempt institutional investor has no worries on this score, although he will regret that his exempt status extends only rarely to overseas tax.

For others the potential benefits from overseas investment, be they the conventionally financial or the achievement of greater security, must justify the depredations not only of their own fisc but of those overseas who wish to take the first bite.

Eric J. Henbrey is a director of J. Henry Schroder Wagg and Co.



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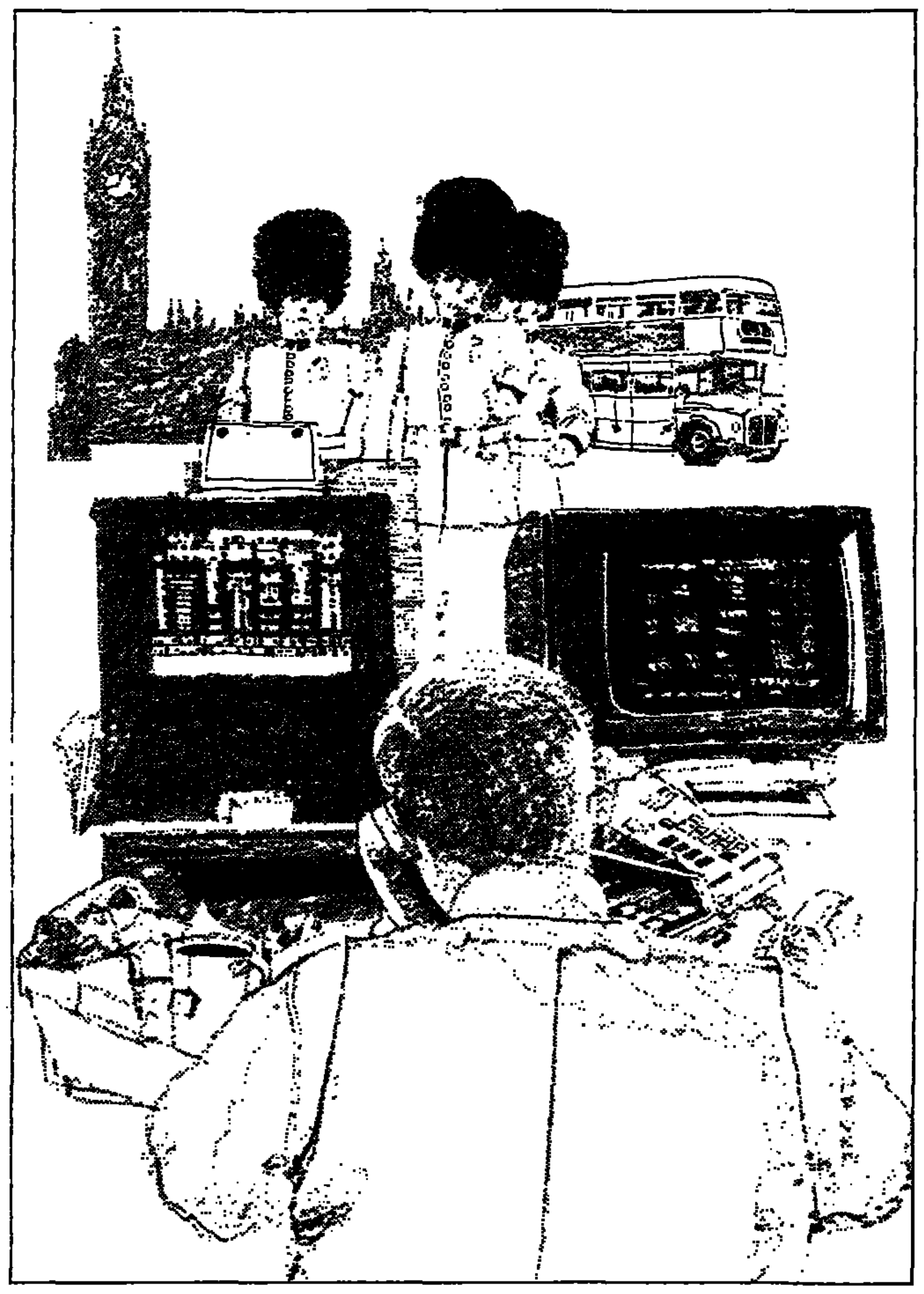

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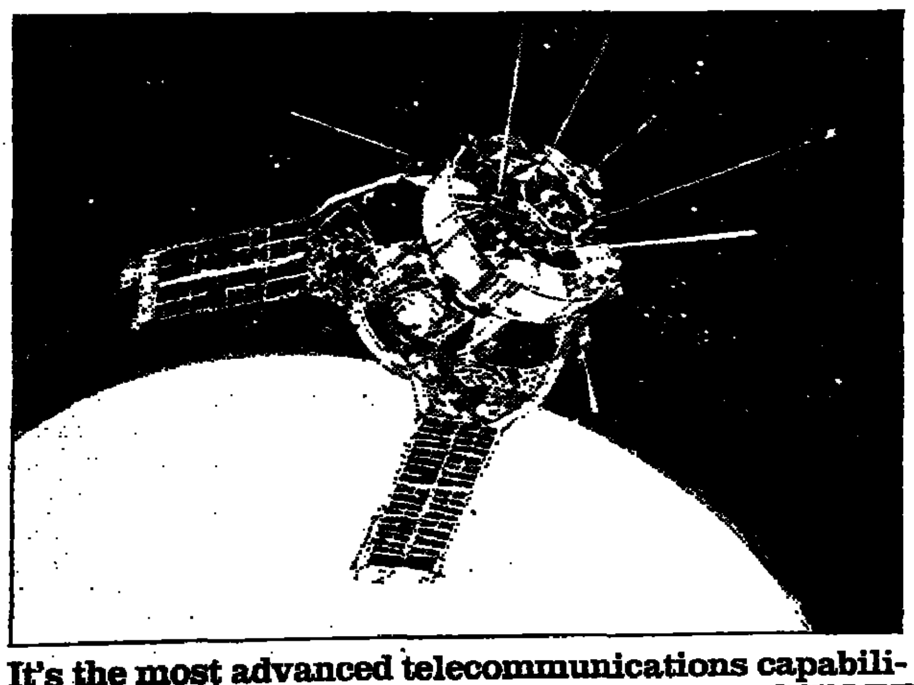

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Hedging against dollar element of portfolio comes to fore

Currencies

JEREMY STONE

SINCE the great bull market in dollars started late in 1980, the rewards of investing in U.S. instruments have been obvious to the most insular of fund-managers. Even if there had been nothing to go for on Wall Street, the total return on U.S. securities to a UK fund would always have seemed respectable —simply because the currency gain was racking up at a compound rate of nearly 20 per cent On the other side of this coin, however, is an increasingly obvious currency risk; as the dollar rose, so did the proportion of institutional cash flow that was being exposed to the U.S. markets.

By now, after a doubling of the dollar's sterling value, it is only reasonable for funds to think about protecting their U.S. portfolios against a long-awaited crack in the dollar's upward trend.

The high level of U.S. interest rates—another important part of the American total-return package—is more than anything a reflection of the Federal demand for deficit finance. But it must also be registering the risk premium that international capital requires for holding dollars.

The point of disentangling the underlying market risk of a portfolio from the currency risk became more evident with every surge in the dollar—and with each bout of central bank intervention, aimed at curbing its progress. Exchange risk used to be a luxury—in the days when all investment was meant to be financed by back-to-back loans or pool dollars. After the abolition of exchange controls currency exposure was practically *de rigeur*; now, for all but the most cavalier of asset managers, it has started to be thought of as a voluntary thrill.

That is perhaps the best way to read news of a surprising recent reversal in the direction of UK institutional investment, when it seems that the regular outflow of recent years was — for one quarter, at any rate — replaced by an influx of £0.75bn. It is possible that funds had taken a prescient look for signs of tiredness in the U.S. economy, deciding that the time had come to lighten their holdings of Wall Street equities.

A plausible background reason for doing this might be the feeling that UK institutions had at long last overshot their target weighting in the U.S. If so, one heavy factor in the assessment would be currency, inflating the sterling book value of averagely successful investment; that might well come ahead of any shift to a bearish view of Wall Street in dollar terms.

It is rather more likely, however, that funds in general have been deciding to do something about locking in their historic currency gains, minimising their prospective losses. Attempts to do this by arranging to go short of the dollar — traditionally by selling dollars in the forward currency market without reducing the exposure to U.S. markets — might have been quite sufficient to create an impression of disinvestment.

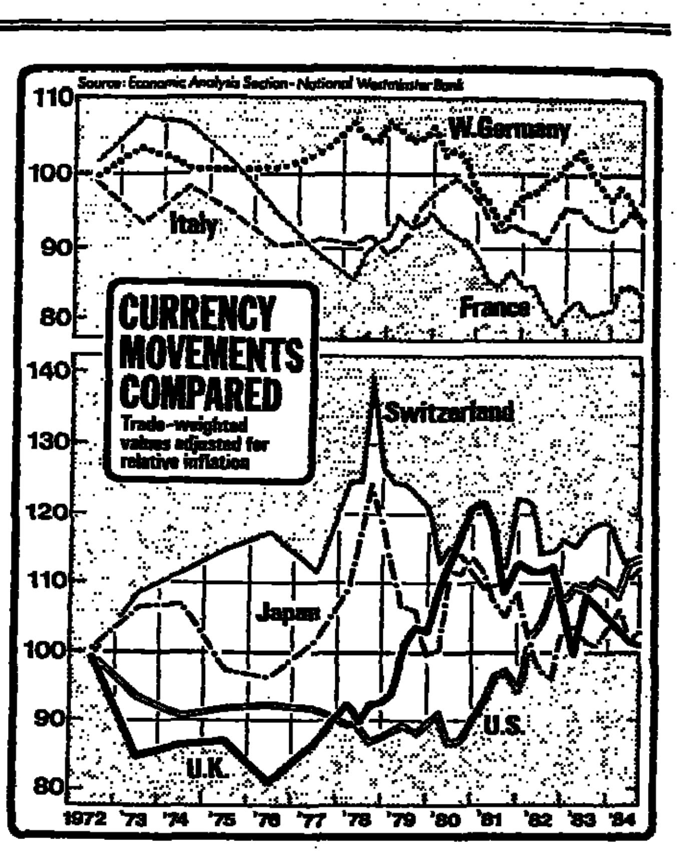
Nevertheless, despite appearances, the decision how to hedge has not yet leapfrogged the question whether to hedge a currency risk at all — even when it is seen to be significant. One extreme position — that currency risk is an intrinsic part of the investment parcel and should in principle be left unhedged — is more legitimate in the mouths of company treasurers than in those of pension funds.

Whereas it is theoretically open to a speculative investor to choose companies for maximum currency exposure (and currency gain) a pension fund may be barred from such a plan by its fiduciary duty to produce a given stream of sterling income. At this opposite extreme, where a fund is compelled to shed currency risk at any reasonable price, the hedging decision is entirely one of means rather than ends, for the required end is to follow the most prudent strategy, whatever it may be.

The return of back-to-back financing is, however, by no means the only—or even most efficient—way in which funds can try to sterilise the currency element of their overseas portfolios.

Certainly the time-honoured routine of selling dollars forward has in the past year been a way of throwing away part of the profit on a U.S. portfolio. For a fund which is already exposed in the U.S., currency options are probably the most efficient method of locking in the gains. They are easily tradable on the Philadelphia or Amsterdam exchanges, and the possible loss is limited to the "insurance" premium. Various "synthetic" options can also be used by funds wanting to raise their profile in U.S. securities markets without increasing their dollar exposure, except at the margin.

A neat trick suggested by brokers James Capel is to buy options on the underlying instrument — say Treasury bonds; dollar exposure is 1 per cent of the face value, the related cash remains invested in sterling, and the option investor gets the full benefit of any move in the domestic U.S. market.



Overseas weighting to climb

Diversification

CLIVE WOLMAN

AN OUTSIDE observer of UK pension fund cash flows might wonder what the theoretical significance was behind a 15 per cent weighting in overseas equities.

After the removal of exchange controls in October 1979, UK pension funds started investing slightly over 20 per cent of their cash flow in overseas equities — until the beginning of this year. Then the outflow of funds came to an abrupt halt — in fact there has been a small net repatriation of funds since then.

The movements over the past five years have left private-sector pension funds with about 15 per cent of their portfolios in overseas equities. The public-sector funds that account for nearly one-third of the total have a slightly lower proportion, around 12 per cent.

By international standards, this figure is fairly high, at least for a large economy. U.S. pension funds have only 2 per cent of their assets abroad although the figures has been increasing rapidly since 1980. The Japanese pension fund figure is even lower. Statistics collated by Mrs Evi Kaplanis of the London Business School indicate that the closest comparable figures are, for West Germany 12 per cent, Italy 7 per cent, Switzerland 35 per cent, Netherlands 41 per cent, and Belgium 24 per cent.

In the UK, at least, the justification for investment abroad has been couched mainly in terms of risk diversification. This was the thrust of the case brought against the National Union of Mineworkers by the National Coal Board trustees of the mineworkers' pension scheme, which was accepted by the High Court in April.

The other justification for overseas investment—that it is possible to achieve super-normal returns by spotting under-valued foreign equities—has some theoretical basis. Because of institutional and legal barriers, there is not yet a sufficiently free flow of capital around the globe to ensure that national stocks markets are efficiently priced, one relative to the other.

Under-priced

There have been several examples of stock markets which have remained substantially under-priced until suddenly discovered by international investors, for example Sweden in 1982. Even now professional investors point to other similar opportunities in the minor markets. But it is difficult to see the traditionally conservative pension funds and insurance companies being the first to dip their feet in, say, the Spanish or Israeli markets.

If, however, risk diversification is the main justification, the 15 per cent figure looks extremely arbitrary—and much too low.

In a theoretical world without legal, fiscal or administrative barriers to foreign investment, the optimum degree of diversification for a UK pension fund would be achieved when it had invested about 98 per cent of its equity portfolio in foreign equities. For the total UK stock market capitalisation is only about 7 per cent of the capitalisation of all the world's markets.

However, the costs of collecting information, transmitting funds and dealing overseas reduce the optimum proportion; payable on most overseas dividends. This is less of a drawback for insurance companies than for pension funds which can receive UK dividends tax-free.

But perhaps the most important objection is that, in the absence of a free flow of funds out of other countries, particularly the U.S., such a high outflow of capital from the UK would leave the UK market under-valued and UK companies short of capital. This, more or less, was the claim of the mineworkers' trustees in their April court case.

However, the gathering momentum of U.S. and Japanese pension fund exports of capital should offset a substantial increase of UK institutional fund investment abroad over the next few years.

Figures produced by the New York investment research company, Quantec, suggest that the benefits of diversification away from the UK stock market are great. This is because the correlations between the movements of the UK markets and those of other markets are relatively low—between 0.25 and 0.5 over the last five years. But ironically, the strong performance of the UK stock market over the last year compared to overseas markets has created disillusionment with overseas investment among some fund managers.

Fluctuations

Currency fluctuations should also not be a major deterrent for investment institutions like pension funds with ultra-long-term time horizons of up to 40 years.

Thus, barring political intervention in the form of a Labour government re-imposing exchange controls and demanding the repatriation of overseas investments, pressures towards greater internationalisation might be expected to raise the 15 per cent overseas investment weighting for pension funds over the next few years.

Profile: Edinburgh Inv. Trust — By Barry Riley

Profiting from a specialist stance

FOR A hundred years, Scottish investment trusts have been notable international investors. By the standards of the big pension funds and mutual fund groups they are often quite modest in size but this does not discourage them from taking a global view.

A case in point is the Edinburgh Investment Trust, a Charlotte Square trust which has a portfolio of around £450m. Some 40 per cent of this is invested in the U.S., another 40 per cent in the UK and the rest in other overseas markets—with the emphasis on Japan where the trust's exposure is being steadily built up.

With only 10 investment managers and analysts, EIT has to use its limited resources carefully—although some extra revenues have been generated by the setting up a few years ago of a subsidiary fund management company called Edinburgh Investment Management which looks after several pension funds and unit trusts plus some private clients. This takes the total of money under management to around £600m and finances extra research and management capabilities.

According to Mr Alan Kemp, an executive of the trust, and a North American specialist, the modest size has its advantages. "We find the small group concept attractive," he says. "We can maintain contact with each other."

The basic philosophy is to take decent sized holdings in growth-oriented companies. At present there are 275 different holdings, a figure which is likely to decline.

Mr Kemp complains that trends in the securities industry are not proving helpful, however, especially in the U.S. "The availability of research on smaller companies is much less than it used to be," he suggests. EIT's managers therefore have to keep in close touch with the companies on a regular basis.

"Brokers or consultants will supply us with industry research. But we do a lot of the company research ourselves," says Mr Kemp, lamenting the absorption of smaller regional brokers in the U.S. into national firms.

In Japan the approach is different so far, with a concentration on large companies, but the longer term objective is to seek out more interesting growth prospects as the trust's Far Eastern expertise develops.

To make the most of its management resources, EIT tends to concentrate its focus on particular sectors — although these may change from time to time in accordance with strategic decisions. The trust did well out of energy stocks at one time, for instance. Current favourite sectors in the U.S. include technology and specialist retailers.

Despite these industry orientations, however, the management is structured on a geographical basis. "Each industry tends to be at a different stage of development in different countries," Mr Kemp points out.

And EIT has different objectives in the various markets. "If you are investing overseas there is not much point in investing in the same kind of companies that you find in the UK," says Mr Kemp. Hence the search for earnings growth in the U.S., which has not been so easily available in the UK—where the trust has tended to attach more priority to reliable income.

EIT is determined to remain a specialist in investment management and does not intend to become caught up in the trend towards diversified financial services.

Mr Kemp emphasises that the trust does not wish to become involved in banking or insurance broking. "In due course the pure investment manager will be valued at a premium," he says.

International Fund Management 7

A year of mixed blessings

Bonds

DUNCAN CAMPBELL-SMITH

BY THE time international fund managers sat down to review the prospects for 1984, most of them were already more than a little tired of two of the longest running forecasts in the international capital markets for many a year.

One said the dollar had to collapse and probably quite soon. The other said great things were around the corner for the advocates of U.S. withholding tax reform and for investors likely, as a result, to prosper from much more freedom of choice between domestic and international dollar bonds.

Both forecasts had been around a few years and both were treated accordingly—with plenty of lip service, that is to say, but little of the genuine respect which manifests itself in practical investment decisions. Instead, fund managers busied themselves with the infinite mysteries of monetary economics and predictions of interest rate movements.

As the year has unfolded, this approach has proved a mixed blessing.

It has at least proved well-founded as far as the dollar saga is concerned. Time spent worrying about the much predicted collapse of the dollar would have been time wasted this year; but then—as always—this could be about to change.

"Every single fund manager coming into work these days looks first at his foreign exchange screen," says Alan Brown, head of fixed interest securities at American Express Asset Management, "and he wonders if today is not the day to hedge his dollars."

As this suggests, many—probably most—international fund managers have been content to hedge only a small part of their total currency exposure through 1984. In particular, a widespread conviction that the dollar's strength contradicted any fundamental analysis of the currency's situation was off-set by the confidence of most managers that the dollar would at least be safe until the Presidential election on November 6. And so it proved.

Hedging against a portfolio's foreign exchange risk can also involve unwelcome additional paperwork. Covering, say, the dollar risk on a five year bond, a sterling-based manager might arrange a sale of dollars in the forward exchange market to coincide with the maturity of the bond.

But when the forward sale date arrives, a cash transaction will be involved. If the dollar bond has been sold in the meantime, other steps will have to be taken to ensure the delivery requirement can be met—normally involving a matching forward contract to buy the required dollars.

An increasingly preferred hedging tool has been the traded currency option. Principally traded in Philadelphia but also in London, currency options need not lead to any cash transaction.

Compensation

The fund manager with the dollar bond might acquire an option to sell dollars in six months' time at today's exchange rate. If the dollar weakens, the sterling value of the bond will fall but the price of the option will rise in compensation and can be sold in the options market. If the dollar strengthens, the option might well become worthless; but the increased sterling value of the bond should more than balance the modest loss on the option.

This asymmetrical feature of the option—with its limited downside risk but open-ended potential for capital gain—largely explains its fast growing popularity among fund managers. The same is true of another fashionable phenomenon in the international bond markets, the warrant.

This is a security entitling the owner to subscribe at a prearranged price and exchange rate for a certain bond at some future date. Warrants have normally been issued attached to a straightforward bond, though they then trade separately in the after-market.

Interest in warrants has grown very significantly during 1984; even attracting some criticism from time to time as investors have found the secondary market becoming over-heated. But the attraction is clear enough: warrants have allowed fund managers to look forward to enjoying the benefits of any sustained bull market in dollar bonds, while at the same time allowing them to limit their exposure to that long, feared collapse in the dollar.

Few warrants have yet reached their first exercise date. There is still plenty of time for fund managers to show a rather less indulgent attitude to the use made of them by the market's new issue managers, if a market deterioration in trading conditions should wipe out the value of many existing warrants; but to date, anyway, warrants have certainly helped the managers to attract interest in their new issues.

"We see these bells and whistles coming along whenever there are a lot of borrowers wanting to tap the market and they want to have something extra," says Nigel Hurst-Brown, of merchant bankers Hill Samuel. "But I welcome that—investment is not an exact science and if people are offering ways and means for you to hedge your bets in a constructive fashion, that has to make sense."

One way or another, then, most fund managers appear to have accustomed themselves to the dollar dilemma reasonably successfully. Other running stories this year, though, have caught them on the wrong foot rather more often.

Most basically, the direction of interest rates has been harder to track consistently in 1984 than for a few years past. The surge in dollar yields in the first half left a good many portfolios badly shaken.

Managers who then switched defensively out of long-term bonds into short-term paper found themselves stranded on the sidelines of a dramatic rally in long-term prices in the third quarter. And it was a rare manager who ducked the first half storms, yet returned to the market with a big enough commitment to enjoy what followed.

This autumn's rally saw many an avalanche of leading corporate names from the U.S., offering historically high real yields in some continental currencies as well as in dollars. Real yields of about 5½ per cent in D-mark bonds, for example, have offered fund managers a good 2 per cent more than has been usual in the past.

Other sectors, too, have seen a flurry of activity in recent months: the 10 per cent rise in Tokyo share prices between early July and last August prompted strong demand for Japanese convertible bonds — in continental currencies as well as dollars.

Perennial issue

Finally, this was the year that confounded all those Doubting Thomases amongst the fund managers on the perennial issues of withholding taxes. Washington's tax reform bill in July at last swept aside the withholding tax barrier to international investment in the domestic U.S. bond market.

The accompanying Internal Revenue Service rules which followed a month later have raised questions in the minds of some managers about the practical accessibility of the domestic market.

The required declarations of beneficial ownership — to be made ahead of each dividend coupon submission — may deter a few and will clearly involve the rest in additional administrative work. But most believe this will be a small price to pay for having the option to deal in a dollar market substantially larger and more liquid than the Eurobond arena.

Parallel tax reforms have at the same time opened other, Continental markets. As in the U.S., France has moved to scrap its 25 per cent withholding tax but has only granted the exemption to new issues. West Germany in October announced the bolder intention of abolishing the tax on all domestic D-mark issues, past, present and future. This, indeed, could still prove one of the most significant legacies from an eventful year.

U.S. still tops shopping list

Property

WILLIAM DAWKINS

THE dollar's steep rise has done little to knock North American property from the top of most international fund managers' shopping lists.

Far from inhibiting the flow of institutional funds into U.S. real estate, it has contributed to some impressive increases in capital values for existing investors. Admittedly, new investors have become more cautious about entering the U.S. independently. They are turning in increasing numbers to pooled funds like the North American Property Unit Trust, the American Property Unit Trust, and Grosvenor Estate's West Coast Freeholds.

There are no centrally gathered figures, but Graham Bond of Richard Ellis's New York office guesses that UK institutions spent more than $1bn on U.S. property last year, as against $750m in the preceding 12 months. "Investment patterns have not changed as much as one might consider, relative to the ups and downs of the exchange rate," he says.

Investors' appetites are chiefly for regional shopping centres or prime multi-tenanted office buildings in major cities like New York, Boston, Washington, San Francisco and Los Angeles, currently on offer for between $10m and $50m—sums of a size to make pooled investments essential for all but the largest funds.

Few U.S. investors have been tempted by sterling's weakness to pick up British property on the cheap. With a prime U.S. shopping centre yielding up to 9 per cent annually, as against just 3½ per cent for a comparable British development, it is not surprising that U.S. investors want to stay at home and that UK fund managers are prepared to pay over the odds in sterling terms to get a slice of the transatlantic action.

The same message has not been lost on other European investors, especially Dutch funds like Wereldhave and Robeco and West German syndicates, who have been active buyers of U.S. property over the past year.

"The strength of the dollar has made us look harder at some investments in terms of what currencies are doing," admits Fred Reeder, director of property investments for Postel, the largest single UK investor in the sector. Postel keeps about £1.5bn—20 per cent of which is overseas—of its £7.75bn portfolio in property on behalf of the British Telecom and Post Office pension funds.

But Mr Reeder adds: "Currency movements are a year on year consideration, while property is a long-term investment." Postel channelled $400m into the U.S. last year—the majority of its overseas directed cash flow—and is currently buying two offices and a shopping centre there.

Investors are turning in increasing numbers to pooled funds for investment in U.S. property

Like other funds, it has been active elsewhere in the world, but on a far smaller scale. Postel recently put up for sale its entire Continental European portfolio—with the exception of France—expected to fetch £30-£35m. "We had to make up our mind whether to put a lot more money into Europe or get out," says Mr Reeder. "Now we are concentrating on the major economies like the U.S., Japan and Australia."

Postel established itself as a trailblazer in Japanese investment recently when it completed a highly unusual deal in which it handed over part of an office block in St James to Mitsui Real Estate of Japan in return for Mitsui's share in a comparable building in Tokyo. The parties manage one another's interests, and Reeder is now considering seriously whether to invest further in Japan.

Its most recent Australian deal was the acquisition for A$19.6m of British Land's 24.5 per cent share in an A$80m property trust invested in office buildings in four major cities.

The biggest pension funds and other major institutions like the leading life assurance groups prefer to invest directly in the U.S. rather than take a managed route. The National Coal Board's pension fund, a pioneer in U.S. investment, even maintains its own management teams in New York and on the West Coast of America, despite Mr Arthur Scargill's attempts to block any increases in its overseas investments.

But when it comes to investing in smaller and more complex economies, such as in Continental Europe, the situation is different, explains Mr Bob Juddery, managing director of NCB pension fund's European property branch. The board is one of the dozen members of the Pan European Property Unit Trust, which invests chiefly in Belgium, the Netherlands and Germany.

"It's really cost effectiveness that makes us take that route," says Mr Juddery. "If you were to try to research the local fiscal and other problems of each market, you would need a small army. In any case, most funds—including us—have not been investing strongly in Europe recently. The growth there is simply too sluggish."

Electronics exploit markets in ever more subtle ways

Information Services

CHARLES BATCHELOR

THE fund manager has not been the traditional target for most of the electronic information services which have grown up over the past two decades. The up-to-the-second price information they provide has been aimed mainly at the dealing rooms of the world's financial institutions.

But as the software programs developed by services such as Reuters and Telerate grow in sophistication and they move increasingly to the analysis of the information they supply their attraction for the fund manager grows.

And as the information networks move in this direction companies which have always concentrated on analysis, such as Datastream are broadening their range to include more straightforward price information.

Reuters, Telerate and Datastream have a major role in the electronic information industry though they face a constant challenge from smaller rivals intent on cornering part of their territory.

Each of the big three has undergone changes in its ownership structure in the past two years, reflecting the large capital needs of a fast-developing industry and the glamourous ratings accorded to the sector.

Both Reuters and Telerate obtained public listings for their stocks though their original shareholders — in Reuters case British and Commonwealth newspaper groups and in Telerate's case, Exco, the UK money broking group—have retained large holdings. Datastream meanwhile, was acquired by the U.S. credit information group, Dun and Bradstreet.

[illegible] is traditionally strong in the markets for U.S. government securities and domestic money market instruments. Prompted by moves in the U.S., Germany and France to remove withholding tax on bonds and the dismantling of foreign exchange controls in a number of countries, Telerate is expanding its international bond coverage in response to the increasingly international nature of bond trading.

"Fiscal and national barriers are tumbling," says Mr Christopher Hume, its general manager in London. Telerate is now putting together an "Investment Management Service" comprising video "pages" of international bond information. One page is expected to show selected rates for U.S. federal funds, U.S. Treasury Bills, Euro certificates of deposit, leading currencies against the dollar, bell-wether bonds of major corporations and 'pre-market' quotes of bond issues which have yet to start official trading.

"We aim to provide a matrix which will allow dealers to price any debt obligation they hold or are interested in," says Mr Hume. "We will provide all currencies, all instruments and all maturities."

Mr David Mulhall, securities markets manager, at Reuters sees increased interest in equity markets now that inflation levels have been brought down.

Reuters has moved closer to the market place than Telerate and has introduced dealing facilities for its clients through its monitor screens in currencies and—since September 3—in bonds.

It was Reuters' decision to establish data bases for its various services—recording the information it previously erased at the end of each day—and offer graphics services to manipulate the data, which has brought it into an area previously dominated by Datastream. Initially Reuters has launched graphics services for spot currencies, deposit rates and bullion prices but these areas will be expanded.

More analytical

Datastream provides the most highly developed graphics service available to brokers, jobbers, fund managers and banks and has traditionally been seen as the information service most suited for the more analytical requirements of the backroom teams of these organisations.

"On the other services you are looking for a 'deal now, deal now' opportunity," says Mr Graham Wallace, deputy marketing manager of Datastream. "Our graph programs allow clients to compare several charts on one screen. Fund managers can check the validity of brokers' recommendations." Datastream provides a wide range of graphics options including line, bar and pie charts.

Its equity research service allows clients to call up information on 20,000 equities quoted on stock exchanges around the world, to compare company performances and analyse the data to reveal underlying factors of interest and long-term trends. A search facility permits clients to find stocks which meet specific requirements.

Raising capital on both Wall Street (left) and on the London Stock Exchange (right) is becoming increasingly common

Prime area for diversification

Equities

JOHN MAKINSON

FOR THE fund manager chasing higher returns through international diversification, equities present the greatest challenge and, perhaps, the greatest opportunity.

Whereas international arbitrage rapidly eliminates price anomalies across different fixed-interest and currency markets, the enterprising fund manager can still unearth equity investment — indeed whole equity markets — which look undervalued by international comparison.

So, while Wall Street, Tokyo and London remain the core of any balanced international equity portfolio, investment managers have been combing the globe for neglected opportunities. Over the past five years, Mexico, Spain, South Korea and Sweden have all come under the investment microscope.

Not all these experiments have been successful. Mexican equities proved an unmitigated disaster for the first two years after the market was opened to foreigners. Even Sweden, the world's best performing market last year, has been sagging badly in 1984.

The occasional setback has not, however, dampened the enthusiasm for international esoterica. Finland is the latest market to benefit from the fund manager's attention. The Helsinki bourse rose by almost 50 per cent between June 1983 and 1984, while the Finnish Markka held almost steady against the dollar.

So far the wave of international diversification has not been tested by a genuine bear market. The dramatic surge in the dollar's value has clipped back the return from overseas equities for U.S. investors but, even in dollar terms, the Wall Street fund manager would have done as well in the Tokyo market as in his own backyard this year. And many U.S. pension funds in particular are taking the view that the dollar must eventually succumb to the forces of economic gravity and so are locking in now to perceived currency profits.

In the most liquid and efficient equity markets, fund managers should have little difficulty in scaling down their exposure during a bear market. But there is an obvious risk that in the smaller markets, the less fleet of foot could be crushed in the rush for the exit.

Market turned

Aready, in the Swedish market, U.S. funds have encountered problems in reducing their commitments as rapidly as they would like. And a few Wall Street fund managers still recall the last wave of overseas investment, in the late 1950s, when heavy U.S. buying pushed the share price of Philips to roughly 35 times earnings. When the market turned, the Americans fled and the price collapsed.

While a worldwide bear market might leave a few burnt fingers around Wall Street, it is most unlikely that international funds will promptly retreat to their home ground at the first sign of falling prices.

U.S. investors currently own roughly 16 per cent of the equity of Imperial Chemical Industries, for example, and brokers in London say that the character of the investment has changed significantly over the past year.

Whereas the stock was attracting "hot money" in 1983, it is now being bought principally by long-term funds not least as a hedge against the damage which may be caused to the U.S. chemicals industry by a rising dollar.

Fund managers feel more confident now about diversifying their equity portfolios for a whole host of reasons. Even the traditionally insular American pension fund manager has been persuaded that diversification can limit rather than enhance long-term portfolio risk.

But, in the case of equities, investors have until recently been deterred by the strangeness of foreign markets. Unfamiliar accounting practices and a suspicion that prices are often rigged in favour of local participants have helped to keep the fund manager at home.

Those fears have to a great extent been allayed. Japanese companies, in particular, have begun to present their accounts in accordance with American standards while, even in the markets of continental Europe, disclosure has steadily improved.

Meanwhile, equity analysts have become more expert at converting foreign accounts into a form more understandable to the American investor. The international fund manager should now be able to make meaningful comparisons between, for example, GEC of the UK, GE in the U.S., Hitachi in Japan and Siemens in West Germany.

In several markets, not least Tokyo, the concern that foreign investors will be disadvantaged by comparison with the local competition has some basis in fact. But, as inward portfolio investment has grown, the foreign investor has often himself to be the swing factor in the market. Tokyo's securities houses cannot afford to ignore, let alone abuse, the foreigner's portfolio.

Companies have themselves contributed to the awakening of interest. The "roadshow" is now a familiar sight on the investment landscape, as executives tour overseas markets to explain, and they hope attract interest in, their company.

A logical extension of this trend is the international listing. Scandinavian companies were among the first to recognise aggressive expansion.

Pioneer

Novo Industri, the Danish pharmaceuticals group, was a pioneer in this respect, listing its shares and raising capital in London and New York to fund its international growth.

Earlier this year, Reuters managed — admittedly with some difficulty—to float itself simultaneously in London and New York, while the British Telecom offer for sale will be vigorously marketed on Wall Street and in Tokyo, as well as in London.

The goal of a global marketplace in equities still looks a good distance off. Enormous strides still need to be made in the harmonisation of accounting standards and dealing practices before the American fund manager invests in Toyota as cheerfully as General Motors.

Moreover, while equity research has become much more international in its emphasis over the past few years, few British chemicals analysts would claim to understand Hoechst or Du Pont as well as they do ICI.

Having said that, the global market place in equities no longer appears the pipe-dream which most would have seen it as only a few years ago.

Profile; Wardley Investment Services. By David Dodwell

Making the most of a home advantage

"We ARE a big fish in a relatively small pond—and that brings clear advantages," said Nigel Tulloch, head of Wardley Investment Services, arguably Hong Kong's biggest fund manager.

For a start, it means that Wardley—which is part of the Hong Kong Bank Group—gets treated as a first among equals in Hong Kong, even when in the company of other major fund managers. With something in the region of U.S.$3bn under management, it is used to getting personalised treatment in a market where every major UK stockbroker and 15 from the U.S. are represented.

Wardley likes to make a clear distinction between itself and other fund managers. Whereas the other majors in Hong Kong—Henderson, Baring, Gt Asia, Fidelity or Jardine Fleming, for example—are overseas arms of companies based in Europe or the U.S. with the job of investing Western-originated funds in the Asian securities markets, Wardley is the mirror image of them. Most of its funds are generated in Hong Kong—local retirement funds and provident funds—and its job is to invest these internationally.

Nigel Tulloch is coy about disclosing whose funds he manages on a discretionary basis. But clients are understood to include, for example, Cathay Pacific, many Government pension funds, Hong Kong Kowloon Wharf and Godown Company, and most of the local utility companies. Among its large pooled funds, the Carlingford-Swire Funding Scheme amounts to about U.S.$250m, while the Hong Kong Bank's own Central Provident Fund amounts to about U.S.$100m. He disclosed that of the 300 portfolios under management, 10 account for about 85 per cent of total funds.

Wardley's growth has coincided with a rapid growth in the number of retirement funds set up in Hong Kong. Historically, employers assumed no responsibility for such matters, partly because most companies were small family businesses. As companies have grown, so this has changed.

From a fund manager's point of view, this has made Hong Kong fertile ground. Economic growth averaging more than 6 per cent a year has led to a rapid expansion in the labour force, with the average age of workers in the low 20s. This means that contributions are growing rapidly while funds are unlikely to have heavy demands made on them for many years to come.

This growth has sometimes proven a mixed blessing for a market leader like Wardley, since many companies have reached a size where they have sought second or third fund managers. When this happens, the new manager does not just get the incremental contributions, but will normally be given discretion to manage half of the total fund. This can leave Wardley managing less funds than when it was exclusive manager.

The company nevertheless controls about 50 per cent of the managed funds originating in Hong Kong, and according to Mr Tulloch, some funds under its management have been more than doubling every two years—which suggests it has not yet had to pay a high price for the increase in competition.

While the great majority of Wardley's Discretionary Funds originate in Hong Kong (the rest come from high-net-worth businessmen mainly in the Philippines and Indonesia), only about 10 per cent is invested in the territory. By far the largest exposure is in the U.S., with Yen investments coming second. Mr Tulloch estimated that it would be unusual for less than 60 per cent of Wardley's funds to be invested in these markets. Continental Europe would account for about 15 per cent, and the UK about 5 per cent.

In recent years, returns have varied from a profit of 40 per cent to a 5 per cent loss. By all accounts, 1983 was an excellent year, with the Hong Kong dollar weak, and the world's stock markets buoyant. Mr Tulloch noted discreetly that profits of 40 per cent "were not uncommon."

By contrast, 1984 is likely to be less exuberant as securities markets have sat in the doldrums, and the Hong Kong dollar has been swept upward because of its link to the U.S. unit.

As Wardley Investment Services has grown, so the need to seek funds from outside Hong Kong has grown. Japan remains difficult to penetrate, though an associate, Wardley Nikko Asian Securities, has been active since 1974.

Singapore has also been a closed book while the Government's Central Provident Fund (CPF) takes 50 per cent of a Singapore worker's salary at source. However, in recent months the Singapore government has unveiled plans to allow companies to put a proportion of their provident funds into the hands of private managers. Mr Tulloch said Wardley is seeking clarification.

Restrictions have only recently been lifted in Australia, but Wardley says business prospects have improved significantly over the past year, with good future prospects foreseen.

Fund managers like Wardley peer longingly at the funds managed inside the U.S. Out of an estimated total market of U.S.$600bn, only 2½ per cent — about U.S.$15bn — is managed outside the U.S.: "even a half per cent increase in U.S. funds managed by companies outside the U.S. would have a significant impact," Nigel Tulloch mused.

Until the recent past, Wardley has not had to think seriously about shifting its legal home. Hong Kong has been its prime source of funds, and has unequalled strengths as an international financial centre in the same time zone as Tokyo.

But as its international operations have grown, so a search for firmer bases elsewhere in the region has begun. It is now hoped that Singapore can become a centre for handling funds originating in the Asean area. Tokyo is still "an evolving market" according to Mr Tulloch, but given Japan's economic importance in the region, it could one day require something more than the present research office.

But the satisfactory settlement of the 1997 issue in Hong Kong, under which China has given assurances that it will not tamper with the territory's present capitalistic economic system once it regains sovereignty in 1997, has restored confidence that fund managers like Wardley will be allowed to continue business unhindered until well into the 21st century. Apart from organic growth, the search for a new home may now be unnecessary.

AMERICAN STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, December 6

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued from Page 28

X–Y–Z

12 Month High	Low	Stock	Div. Yld. P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
52¼	33¼	Xerox	3 8.2 11	1743	35½	35⅛	35½	+ ⅜
50½	45¾	Xerox	pf5 45 11	72	48⅞	45½	48½	-¼
38¼	19	XTRA	3.2 7	698	21	19⅝	19⅞	-1⅛
33	24	ZaleCp	1 32 4.7 9	18	29	28	28	- ⅜
24⅞	15¾	Zapata	84 5.2 13	44	16½	16¼	16¼	
49	28¾	Zayre	40b 9 12	937	44	43¼	43¼	
38⅝	20	ZenithE	7	1016	22	21	22	+ ¼
27⅞	18	Zero	40 1.9 16	23	21¼	21	21	
34	21⅛	Zurnin	1 32 5.1 11	436	26¼	25⅝	26	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Dec. 6	Price Sch%	+ or —
Creditanstalt	224	.....
Goesser	330	—2
Interunfall	394	.....
Laenderbank	223	—2
Perlmooser	358	+1
Steyr-Daimler	167	+5
Veitscher Mag	244	.....

BELGIUM/LUXEMBOURG

Dec. 6	Price Frs.	+ or —
B.B.L.	1,845	.....
Banq. Int. A. Lux	5,600	.....
Bekaert B.	4,400	+50
Ciment CBR	2,575	+40
Cockerill	281	—1
Delhaize	5,700	.....
EBES	2,865	—5
Electrobel	8,600	.....
Fabrique Nat.	2,090	—5
GB Inno BM	3,200	+20
GBL (Brux)	2,105	+30
Gevaert	5,580	—5
Hoboken	6,140	+40
Intercom	2,190	—15
Kredietbank	7,500	+10
Pan Hldgs	9,900	.....
Petrofina	7,100	—30
Royale Belge	10,400	+200
Soc. Gen. Banq	3,350	+55
Soc. Gen. Belge	1,870	+70
Sofina	7,620	+10
Solvay	4,220	+20
Stanwick Intl.	1,430	.....
Tractionel	3,925	+15
UCB	5,090	—10
Wagon Lits	2,465	+20

DENMARK

Dec. 6	Price Knr %	+ or —
Andelsbanken	270	—3
Baltic Skand	550	—5
CopHandelsbank	270	—7
D. Sukkerfab	605	—20
Danske Bank	270	—7
De Danske Luft	1,000	.....
East Asiatic	159	—1
Forenede Brygg	755	.....
Forenede Damp	99	.....
GNT Hldg	375	—3
I.S.S.B.	395	.....
Jyske Bank	495	—10
Novo Ind	1,370	.....
Privatbanken	239	—5
Provinsbanken	341	—4
Smidth (F)	225	+1
Sophus Berend	890	—5
Superfos	412	—1

FRANCE

Dec. 6	Price Frs.	+ or —
Emprunt 4½% 1973	1,648	+3
Emprunt 7% 1973	8,840	—101
Accor	241	—2.8
Air Liquide	564	—13
BIC	608	—5
Bongrain	1,745	—43
Bouygues	674	—11
BSN Gervais	3,511	—14
CIT-Alcatel	1,325	—15
Carrefour	1,765	—35
Club Mediter'n	1,045	—7
Cie Bancaire	675	—10
Cofimeg	240	—4
Damart	2,290	—50
Darty	1,183	—14
Dumez S.A.	630	—8
Eaux (Cie Gen)	540	—16
Elf-Aquitane	285	—3
Essilor	2 830	—60
Gen. Occidentale	649	—10
Imetal	77	—2.5

GERMANY

Dec. 6	Price Dm.	+ or —
AEG-Telef	103.1	—0.1
Allianz Vers	1,037	—3
BASF	176.5	—0.6
Bayer	187.3	—0.2
Bayer-Hypo	323	—4.5
Bayer-Verein	330	—4
BHF-Bank	277	—1
BMW	374.5	+0.5
Brown Boveri	202	—1
Commerzbank	173.7	—1.5
Cont'l. Gummi	116	—0.5
Daimler-Benz	675.2	—7
Degussa	353	—4
D'sche Babcock	151	—0.5
Deutsche Bank	381.8	—1
Dresdner Bank	189	—0.5
GHH	162.5	—0.5
Hochtief	473	.....
Hoechst	186.8	+0.3
Hoesch Werke	99.5	—0.5
Holzmann (P)	368	+1
Horten	184	.....
Hussel	288	—3
Karstadt	250	—1.7
Kaufhof	233.8	+0.7
KHD	263	—1
Kloeckner	69.5	—0.6
Linde	380	+1
Lufthansa	178	.....
MAN	147.5	—0.5
Mannesmann	144	—1.5
Mercedes Hld	516.2	—0.3
Metallgesell	219	+1
Munech Rueck	1180	.....
Nixdorf	517	—2
Porsche	1015.5	+1
Preussag	264	—1.2
Rhein West Elect	164.5	+1
Rosenthal	248	—2
Schering	426.5	—0.5
Siemens	452	—3.2
Thyssen	79.1	—0.1
Varta	174	—1
Veba	169.8	—1.1
V.E.W.	122.5	—0.5
Verein-West	295	—1
Volkswagen	198.7	—0.6

ITALY

Dec. 6	Price Lira	+ or —
Banca Com'le	14,900	.....
Bastogi-IRBS	119	—1
Centrale	2,130	—5
Credito Varesino	3,651	+1
Fiat	1,891	—2
Finsider	46.25	.....
Generali Assicur.	30,900	—100
Invest	2,980	—5
Italcementi	64,000	.....
La Rinascenti	499	.....
Montedison	1,249	—7
Olivetti	5,930	—21
Pirelli Co.	3,348	—5
Pirelli Spa	1,765	—16
Snia BPD	2,025	+5
Toro Assic.	11,700	—50
do. Pref.	8,470	—35

NETHERLANDS

Dec. 6	Price Fls	+ or —
ACF Holding	185	—2
AEGON	136.5	—3
Ahold	178.7	—0.8
AKZO	94.6	—1.3
ABN	339.5	—4
AMEV	199	—1.1
AMRO	62.6	—1
Bredero Cert.	169	—2
Bos Kalis Westm.	14	+0.4
Buehrmann-Tet	68.2	.....
Calland Hldgs.	31	.....
Dordtsche Pet'm	153.2	—1.8
Elsevier-NDU	110.5	—2.3

NORWAY

Dec. 6	Price Kroner	+ or —
Bergens Bank	159	—1
Borregaard	297.5	+6.5
Christiania Bank	184.5	—0.5
DenNorske Cred	153.5	—0.5
Elkem	115	—2
Kvaerner	167	—3
Norsk Data	272.5	.....
Norsk Hydro	108.5xa	.....
Storebrand	197	—0.5

SPAIN

Dec. 6	Price Pta%	+ or —
Bco Bilbao	308	—1
Bco Central	309	—4
Bco Exterior	200	.....
Bco Hispano	202	.....
Bco Popular	351	—9
Bco Santander	321	—3
Dragados	156.5	—0.5
Hidrola	72.7	—1
Iberduero	81.2	—0.5

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (continued)

Dec. 6	Price Aust. $	+ or —
Gen Prop Trust	2.22	+0.02
Hardie (James)	5	—0.02
Hartogen Energy	2.45	.....
Herald W'yTimes	3.3	—0.12
ICI Aust.	2	—0.04
Jimberlana F.P.	0.38	.....
Kia Ora Gold	0.12	—0.01
Lend Lease	8.2	—0.2
MIM	2.42	—0.08
Mayne Nickless	3.0	—0.05
Myer Emporium	1.66	.....
Nat. Aust. Bank	3.4xd	—0.02
News	9.32	—0.04
Nicholas Kiwi	5.1	.....
North Bkn Hill	2	—0.14
Oakbridge	0.62	+0.01
Pancont'l	1.07	—0.03
Pioneer Conc.	1.53	—0.03
Poseidon	3.2	.....
Queensland Coal	1.12	—0.02
Reckitt & Coln.	3.06	+0.01
Repco	1.13	—0.04
Santos	5.8	—0.16
Smith (Howard)	3.4	.....
Thos. Natwide	1.68	—0.01

JAPAN (continued)

HONG KONG

JAPAN

SINGAPORE

SOUTH AFRICA

OVER-THE-COUNTER Nasdaq national market, 2.30pm prices

LONDON

Chief price changes
(In pence unless otherwise indicated)

RISES

AGI	360	+35
Dobson Park	82	+4
Early	58	+5
Fairline Boats	58	+4
Falcon Res	163	+11
Glynwed Intnl.	155	+12
Goring Kerr	435	+15
Hanson Trust	278	+11
LRC Intnl.	116	+7
Northern Foods	210	+8
Pauls	208	+8
Sumrie Clothes	80	+7

FALLS

Acorn Comp	61	—14
Applied Comp	255	—20
Bio-Isolates	38	—7
Blue Circle	455	—8
Body Shop	385	—30
Cape Inds.	37	—10
Charter Cons.	167	—13
Edbro	113	—5
Finlan (J.)	83	—4
Geevor Tin	193	—7
Horizon Tr'l	136	—9
ICI	662	—12
Johnson Matt	68	—4
Lex Service	278	—10
Lloyds Bank	495	—8
RTZ	597	—11
Royal B. Scot.	226	—7
Thorn EMI	467	—13

CANADA

TORONTO
Prices at 2.30pm December 6

MONTREAL
Closing prices December 5

Continued on Page 38

AMERICAN STOCK EXCHANGE PRICES

Continued from Page 29

LONDON STOCK EXCHANGE

MARKET REPORT

Markets remain jaded in the wake of British Telecom and Wall Street influences

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Nov 26	Dec 6	Dec 7	Dec 17
Dec 10	Dec 20	Dec 21	Jan 7
Dec 24	Jan 10	Jan 11	Jan 21

* "New-time" dealings may take place from 9.30 am two business days earlier.

Overnight dullness on Wall Street, the Dow Jones Industrial index fell over 13 points against a backdrop of continuing fears about American economic prospects, set the seal for another drab display by London equity markets yesterday.

The transatlantic setback, which came on a domestic market already looking rather dejected in the wake of the recent euphoria surrounding the British Telecom issue, was quickly reflected in lower quotations for blue chip industrials as sellers made their presence felt in initial dealings.

Offerings were fairly light, and most quotations held steady around the cheaper levels until after-hours' dealings when early lower indications yesterday from Wall Street caused the tone to deteriorate further.

Reflecting the trend, the Financial Times Ordinary share index closed 6.5 down at 908.4. Overall conditions were rather quiet and even good trading statements from leading companies such as BOC Group and Hanson Trust failed to generate much excitement; the latter, however, showed to advantage late on U.S. support which helped the index to close above the worst. British Telecom were again heavily traded, with institutional buyers still showing a keen interest to acquire stock.

Clearing banks remained unsettled as talk of a possible rights issue from Lloyds persisted. Elsewhere, some of the recent favourites encountered profit-taking as the Account neared its close.

Government securities, in contrast, held up well, particularly index-linked stocks which have made the running over the last couple of trading sessions. Conventional issues fluctuated narrowly before settling ½ down on the day. Trading conditions were extremely quiet.

Lloyds retreat

Fund-raising rumours continued to unsettle Lloyds which fell 8 more for a two-day reaction of 18 at 495p. Other major [illegible]

GRE, 8 lower at 675p. General Accident relinquished 7 at 510p and Commercial Union gave up 3 to 176p. Among Life issues, Prudential dropped 12 at 488p and Hambro Life cheapened 5 to 455p.

The UK's largest brewery concern, Bass dipped to 412p in initial reaction to preliminary profits that fell short of some estimates; the shares rebounded smartly, however, following a closer examination of the figures to close a net 8 up at 435p. The news had little apparent effect on other leading Breweries, but interest did spread to recently neglected regionals; Wolverhampton and Dudley, annual results due next Tuesday, improved 4 to 260p.

Fears that an expected New Year cement price increase may be postponed continued to unsettle Blue Circle which shed 8 to 455p, after 452p. Fellow cement manufacturer Rugby Portland slipped to 125p prior to closing unchanged at 126p. Elsewhere, RMC encountered scrappy selling and fell 10 to 390p, while Tarmac eased 4 to 508p. John Finlan gave up 4 to 83p following the poor half-year figures, but Nottingham Brick added a penny to 146p, after 148p, in response to the good annual results and rights issue proposal. Timber issues were mostly dull with Meyer International and Magnet and Southerns both down 4 at 120p and 140p respectively. Phoenix, however, firmed 4 afresh to 124p ahead of next Friday's interim results.

ICI, already a dull market on Wall Street influences, came under further U.S. selling pressure late and the close was a net 12 down at the day's lowest of 662p. Among other Chemicals, Allied Colloids, a firm market at 220p awaiting the interim results, reacted to 210p on the announcement before settling a couple of pence cheaper on balance at 213p. Increased half-year profits and dividend helped British Tar Products improve a penny to 78p, while comment on the interim figures left Coalite 2 dearer at 196p.

GUS up on figures

First-half profits from Great Universal Stores proved to be [illegible]

a gain of 7 at 80p, but sellers predominated in Superdrug, 10 off at 385p, Foster Brothers Clothing, 5 lower for a two-day fall of 17 at 123p, and Body Shop International, 30 cheaper at 385p, the last-mentioned still reacting to adverse comment.

Acorn Computers became a depressed market in Electricals, falling 14 to 61p on the shock announcement that the company has withdrawn from the U.S. microcomputer market because of poor sales; Applied Computers dropped 20 to 255p in sympathy. Elsewhere, Thorn EMI remained on offer and eased to 460p initially before closing 13 lower on balance at 467p. Racal [illegible]

nary results scheduled for Monday. Reflecting the strong return to profitability, Spencer Clark Metals hardened a penny to 33p, but Edbro, on the other hand, cheapened 5 to 113p following the disappointing half-year figures. Pegler-Hattersley gave up 6 to 250p on further consideration of the interim results and United Wire eased 4 to 113p. With the exception of Hawker, which improved 2 further to 411p, after 414p, in continuing response to a broker's recommendation, Engineering leaders gave ground in thin trading. GKN lost 4 to 176p and Vickers cheapened 3 to 195p. [illegible]

1984 peak of 82p.

A lively business developed in Saatchi and Saatchi; down to 880p in the early business, Saatchi rallied to finish unchanged at 895p on confirmation of the proposed one-for-three scrip issue. Geers Gross gave up 4 to 146p, while Wight Collins Rutherford Scott, interim results expected next Tuesday, eased 3 more to 285p. Among otherwise idle Publishers, Routledge and Kegan Paul firmed 5 to 250p following the interim profits recovery.

The Property leaders continued to lose ground in the face of scrappy selling. Land Securities settled 4 cheaper at 300p and MEPC closed 3 off at 32p. Profit-taking clipped 3 from Capital and Counties at 213p, while Slough Estates, 139p, and Peachey, 235p, both lost 2. Elsewhere, Property and Reversionary slipped a couple of pence to 194p despite increased interim profits and a confident statement about second-half prospects.

Burmah gain ground

Leading Oils opened on an easier note but gradually improved to close with minor changes in either direction. Initially marked down to 493p, BP rallied to end the day unchanged on balance at 500p, while Shell closed unaltered at 652p after 643p. Rumours of the imminent sale of the Quinton Hazell subsidiary and talk of considerable call option activity boosted Burmah 6 to 212p.

Osceola Hydrocarbons, a strong market over the past few days, edged up to 125p before easing to close a net 5 lower at 115p following news that the company has joined a bidding consortium for the UK ninth round of licence concessions. Osceola will have a 10 per cent interest in the consortium, while Eglington Oil will hold a 20 per cent interest; Eglington rose to 60p immediately following the news but ran back to close unchanged at 56p.

Charter under pressure

Attention in mining markets remained focused on Charter Consolidated which dropped to a year's low of 165p before [illegible]

FINANCIAL TIMES STOCK INDICES

	Dec. 6	Dec. 5	Dec. 4	Dec. 3	Nov. 30	Nov. 29	year ago
Government Secs.	83.54	83.66	83.58	83.19	83.00	83.12	83.29
Fixed Interest	86.38	86.41	86.37	86.11	86.11	86.22	86.41
Ordinary	908.4	914.9	917.5	924.9	917.3	925.6	760.2
Gold Mines	547.3	555.8	556.7	550.8	544.3	560.5	598.3
Ord. Div. Yield	4.69	4.66	4.64	4.60	4.63	4.60	4.60
Earnings, Yld.% (full)	12.01	11.93	11.88	11.18	11.25	11.17	9.46
P/E Ratio (net) (*)	9.99	10.06	10.10	10.69	10.63	10.70	12.88
Total bargains (Est.)	24,036	24,699	25,884	—	30,043	20,114	23,109
Equity turnover £m.	—	486.28	611.60	529.67	276.04	316.57	297.26
Equity bargains	—	29,384	34,975	27,823	15,165	16,782	21,144
Shares traded (ml)	—	348.4	476.5	448.5	146.7	155.1	185.6

10 am 906.7. 11 am 907.4. Noon 907.2. 1 pm 907.2. 2 pm 906.9. 3 pm 908.0

Basis 100 Govt. Secs. 15/1/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=9.67.

HIGHS AND LOWS

	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs	83.77 (9/1)	75.72 (30/7)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3)	80.43 (30/7)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	929.2 (28/11)	755.3 (23/7)	929.2 (28/11/84)	49.4 (26/6/40)
Gold Mines	711.7 (8/3)	485.7 (1/8)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Dec. 5	Dec. 4
Daily Gilt Edged Bargains	150.6	150.1
Equities Bargains	190.4	226.5
Value	982.9	1256.2
5-day Average Gilt Edged Bargains	145.4	138.2
Equities Bargains	160.5	143.8
Value	897.5	844.9

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (39)

INTL. BANK & OVERSEAS GOVT. STLG. ISSUES (1)
Sweden 13½pcLn 2010
CORPORATION LOANS (1)
LCC 5½pc 1985-87
FOREIGN BONDS (1)
Chinese 5pc '25 Boxer
CANADIANS (1)
Trans Canada Pipe
BUILDINGS (2)
Berkeley Group — Phoenix Timber
CHEMICALS (1)
Hoechst
STORES (2)
Liberty — Liberty N V
ELECTRICALS (1)
Goring Kerr
ENGINEERING (2)
Smith Whitworth — Wagon Inds.
FOODS (3)
Avana — Northern Foods
Matthews (B.)
HOTELS (2)
Garfunkels Restr. — [illegible] Capital
INDUSTRIALS (7)
Cookson — Scottish Heritable
Dobson Park Inds. — TSL Thermal Synd.
LRC Intl. — Whatman Reeve Agl.
Lilleshall
INSURANCE (2)
Dewey Warren — PWS Intl.
LEISURE (1)
First Leisure
MOTORS (1)
Hartwells
PAPER (1)
Fitch
TEXTILES (2)
Early's of Witney — [illegible] Intl.
TRUSTS (4)
Ambrose Inv. Cap. — Edinburgh Fd. Mgrs.
Jos Hldgs. — Keywest Invts.
OILS (2)
Falcon Resources — [illegible] Energy
PLANTATIONS (1)
McLeod Russel
MINES (1)
Charter Cons.

NEW LOWS (29)

AMERICANS (1)
Damson Oil
BREWERS (1)
Davenport's Brewery
STORES (3)
Castle (G.B.) — Ladies Pride
Forminster
ELECTRICALS (6)
Acorn Computer — Ph.com
CPU Computers — Security Tag Systems
Microvitec — [illegible] Informtn.
ENGINEERING (2)
Wadkin — [illegible]
INDUSTRIALS (6)
Assoc. British Eng. — Bruntons (Muss.)
Assoc. British Ports — Cape Inds.
Barget — [illegible] Group
LEISURE (1)
Pineapple Dance Studios
MOTORS (1)
Lex Service
SHIPING (1)
Runciman (W.)
TEXTILES (1)
Palma
TRUSTS (1)
Yorkgreen Invts.
OILS (3)
Bristol Oil & Minrls. — Moray Firth
Monarch Petroleum
MINES (2)
Anglo United Dev. — Hampton Areas

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
‡‡	F.P.	12/12	110	108	‡‡AberdeenAmPet£1	110	...	—	—	—	—
¶160	F.P.	11/1	200	164	✠Access Satellite 5p	184	−6	u2.0	2.5	1.5	56.1
§116	F.P.	9/11	187	136	✠Addison Comms. 2p	187	...	bg1.4	3.8	1.1	35.3
§140	F.P.	21/12	170	144	✠Allida	166	−3	bg6.5	1.9	5.6	13.2
§100	F.P.	23/11	112	102	✠Breakmate 10p	112	+1	bg3.5	3.0	4.2	14.7
130	50	—	97	88	British Telecom	88	−1	b6.5	2.0	5.5	12.1
§105	F.P.	7/12	142	115	✠CVD Inc $0.01	138	−2	F$2.0	—	1.2	—
§115	F.P.	6/12	167	134	✠Craton Lodge 1p	166	−1	bg1.75	2.6	1.5	37.2
§78	F.P.	14/12	99	86	✠Gabicol 5p	95	......	b2.8	2.5	4.2	13.
¶¶	F.P.	—	31	24	✠Health Care S'rvic's	25	......	—	—	—	90.7
§145	F.P.	7/12	206	160	✠Instem 10p	200	...	bg1.5	5.4	1.1	24.9
§85	F.P.	7/12	118	95	✠Klark-Teknik 5p	115	...	u0.6	4.7	0.8	40.5
‡‡	F.P.	—	£30¾	£30½	Lincoln Nat. Corp	£30½	...	$1.84	—	4.9	—
§117	F.P.	23/11	179	118	✠Media T'nology 20p	176	−5	ug2.58	3.9	2.1	17.4
¶¶	F.P.	11/1	32	27	✠Monument Oil 5p	27	−1	—	—	—	—
140	F.P.	21/12	158	149	P.S.M. Int'l.	156	...	bg6.25	2.6	4.8	11.4
§70	F.P.	14/12	82	74	✠Plasmec 10p	75	...	bg3.0	1.4	5.7	9.6
§10	F.P.	16/11	11½	10	Second Market Inv.5p	11	....	—	—	—	—
§140	F.P.	10/12	200	184	✠Share Drug 10p	190	...	ud1.7	3.0	1.3	32.9
§110	F.P.	30/11	125	113	✠UDO Hldgs. 10p	125	.....	u3.75	2.0	4.3	16.3
132	F.P.	11/1	173	156	Wardle Storeys 10p	168	−1	u5.0	2.7	4.2	10.3
‡‡	F.P.	—	£38⅝	£36⅝	Wessanen(Kon.)DFl.20	£37⅛	....	Q$1.0	2.6	3.9	9.9

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price £	+ or −
¶¶	F.P.	21/12	116	107	Aberfoyle 8% Cnv. Uns. Ln. '95	110	
91.674	£30	10/4	34½	29⅞	African Dev. Bank 11⅛% Ln. 2010	34¼	+¼
‖	F.P.	11/1	19p	15p	Automated Sec. 5½ Cnv. Cum Red Prf.	15p	
‖	F.P.	2/12	205p	157p	Elswick-Hopper 8% Cv.Cum. Pf. '92-94	175p	−8
‖	F.P.	12/12	110	100	Estate Prop. Inv. 10½% Cnv. 94 99	108	−1
§100	£10	24/1	10½	5½	Folkestone Water 11⅞% Red. Deb. 2004	10	−¼
¶¶	F.P.	30/11	110	106	Gable Hse. Prop.10½%Cnv. Uns. Ln. 95-99	110	
§99.405	F.P.	11/1	100¾	100¼	Glasgow Stock'hlds 11½% Deb. 2009	100¾	+¼
99.161	£30	17/1	35	28⅝	Intl. Bk. for Recon. & Dev. 11⅛% Ln. 2008	34	−¼
§99.199	£25	15/3	29⅝	24½	Lon. Shop Prop. 11½% 1st Mort. Deb. 2018	29⅝	
§98.013	F.P.	—	98½	98½	Lowland Inv. 11¼% Deb. 2010	98½	
—	F.P.	—	100½	100¼	Nationwide Bldg. Soc. 10⅜% Bds.11/11/85	100	+⅛
—	F.P.	—	100⅛	100	Do. 10¼% Bds. 9.12/85	100⅛	+⅛
‖	F.P.	11/1	109	101½	Normans Grp. 8½% Cnv. Uns. Ln. 99-2004	106½	−½
¶¶	F.P.	—	56	53	Peel 10% Cum. Pref. 50p	55	
‖	F.P.	12/12	109	100½	Plant & Gen. 9% Cnv. Uns. Ln. 1999	104½	−½
¶¶	F.P.	26/4	129	115	Racal Elect 7% Cnv. Uns. Ln. 2009-14	125	+1
100	£10	24/1	10¼	10	Sun'ld & Sth. Shields 11⅛% Deb. 2005	10	..
91.976	£20	27/3	24½	18½	Sweden 11% Ln. 2012	24½	...

"RIGHTS" OFFERS

[illegible]

OPTIONS

[illegible]

ACTIVE STOCKS

[illegible]

WEDNESDAY'S ACTIVE STOCKS

[illegible]

RISES AND FALLS YESTERDAY

[illegible]

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

FIXED INTEREST

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 17,210

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

[illegible]

Dec. 6. Total contracts 12,794. Calls 7,851. Puts 4,943

* Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984 High	1984 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
105¾	100[illegible]	Treas. 15pc 1985	100[illegible]	-1/32	14.85	9.52
102⅞	100	Exch. 12pc Cnv. '85	100⅝	.....	11.93	9.70
97[illegible]	93[illegible]	Treas 3pc 1985	97[illegible]	....	3.09	9.80
102⅝	99½	Treas 11½pc 1985	100[illegible]	[illegible]	11.41	10.00
99¾	96[illegible]	Treas 8¾pcCnv '85	99[illegible]	.....	8.82	9.84
104[illegible]	99⅞	Exch. 12¼pc 1985	102[illegible]	.....	11.99	9.79
103[illegible]	99[illegible]	Exch. 11½pc '86	101[illegible]	[illegible]	11.53	9.92
102[illegible]	96[illegible]	Treas. 10pcCnv 1986	100⅞	[illegible]	9.99	9.87
93[illegible]	88¾	Treas 3pc 1986	93¼	[illegible]	3.22	8.04
102	96¼	Exch. 10½pc Cv '86	100[illegible]	-⅛	10.43	10.00
104[illegible]	99[illegible]	Treas 12pc 1986	102[illegible]xd	-⅛	11.69	10.06
98¾	93½	Treas 8½pc 1984-86‡‡	98xd	[illegible]	8.67	9.95
108[illegible]	102[illegible]	Exch. 14pc 1986	106[illegible]	[illegible]	13.17	10.22
89[illegible]	85	Exch. 2½pc 1986	89	[illegible]	2.81	8.73
107[illegible]	100[illegible]	Exch. 13¼pc 1987	105¼	[illegible]	12.59	10.37
100⅝	94½	Treas 10¼pcCv '87	99[illegible]	-⅛	10.28	10.36
87¾	83¾	Exch 2½pc 1987	87[illegible]	....	2.85	8.71
101[illegible]	94½	Exch. 10½pc 1987	100¼	-⅛	10.47	10.35
92¾	87	Funding 6½pc '85-87‡‡	92¾	.....	7.01	9.97
99⅝	92⅞	Treas. 10pc 1987	99[illegible]xd	-⅛	10.08	10.38
86⅞	81[illegible]	Treas 3pc 1987	86[illegible]	[illegible]	3.48	9.07
105	97¼	Treas. 12pc 1987	103⅝	-⅛	11.58	10.50
94⅞	87[illegible]	Treas 7¾pc 1985-88‡‡	93[illegible]	[illegible]	8.31	10.27
100¾	92[illegible]	Exch 10½pc '88	99⅞	[illegible]	10.51	10.55
98[illegible]	89[illegible]	Treas 9¾pc Cv '88	97½xd	-⅛	10.00	10.63
82¼	77	Transport 3pc '78-88	82¼xd	-⅛	3.65	8.98
96[illegible]	88[illegible]	Treas. 9½pc '88	96[illegible]	-⅛	9.88	10.71
106¼	94[illegible]	Treas 11½pc 1989	102¼	-⅛	11.25	10.78
96[illegible]	87[illegible]	Treas 9½pc Cnv. '89	96[illegible]	[illegible]	9.86	10.56
99⅝	90[illegible]	Treas 10½pc 1989	99⅝xd	[illegible]	10.59	10.76
100[illegible]	88⅞	Exch.10pc 1989	96⅞	[illegible]	10.32	10.86
101[illegible]	94¼	Exch 11pc 1989	100½	-⅛	10.95	10.83
85⅝	77½	Treas 5pc 1986-89	81[illegible]	-⅛	6.10	9.75

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP AND LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

INSURANCES

LEISURE

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

1984 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
280	145	Falcon 250c	150	.....	Q100c	♦	38.9
17	8	Wankie Col. Z$1	9½	.....	—	—	—
21	14	Zam Cpr SBD0.24	14½	.....	—	—	—

Australians

1984 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
55	23	♦ACM 50c	51	-2	—	—	—
38	17	♦Afcstate Expl'n NL	30	-1	—	—	—

Tins

Miscellaneous

NOTES

‡ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
‖ No par value.
B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. R Gross. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	86	.....	Arnott	150	.....
Craig & Rose £1	£21xd	.....	CPI Hldgs	54	+1½
Finlay Pkg. 5p	42	—	Carrol Inds.	120	.....
Higsons Brew	83xd	-2	Dublin Gas	65	.....
Holt (Jos) 25p	690	.....	Hall (R. & H.)	48	.....
IoM Stm. £1	105	+1	Heiton Hldgs.	15	.....
IRISH			Irish Ropes	39	.....
Exch. 12% 1985	£98¼	.....	Jacob (W.& R.)	65	.....
Nat. 9¾% 84/89	£82½	.....	TMG	67	.....
Fin. 13% 97/02	£86	+¼	Unidare	88	.....

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	15	Hanson Tst.	22	Vickers	18
BAT	30	Hawker Sidd	38		
BOC Grp.	24	Hse of Fraser	28	Property	
BSR	15	ICI	50	Brit Land	14
Babcock	23	'Imps'	14	Cap Counties	18
Barclays Bank	42	Jaguar	18	Land Secs	24
Beecham	30	Ladbroke	20	MEPC	30
Blue Circle	46	Legal & Gen	42	Peachey	24
Boots	10	Lex Service	32	Samuel Props.	14
Bowaters	16	Lloyds Bank	42	Sterling Guar.	5½
Brit Aerospace	34	Lucas Inds.	24		
Brit. Telecom	7½	Marks & Spcr	10	Oils	
Brown (J.)	3	Midland Bk	33	Brit. Oil & Min	4½
Burton Ord	32	NEI	9	Brit Petroleum	38
Cadburys	14	Nat West Bk	54	Burmah Oil	19
Comm Union	15	P & O Dfd	24	Charterhall	6
Courtaulds	11	Plessey	20	Premier	6
Debenhams	19	Polly Peck	30	Shell	55
Distillers	24	Racal Elect	24	Tricentrol	22
Dunlop	5	RHM	10	Ultramar	22
FNFC	7	Rank Org Ord	24		
Gen Accident	42	Reed Intnl.	50	Mines	
Gen Electric	20	Sears	7		
Glaxo	98	TI	28	Charter Cons	21
Grand Met.	26	Tesco	8	Cons Gold	42
GUS 'A'	55	Thorn EMI	42	Lonrho	14
Guardian	58	Trust Houses	12	Rio T Zinc	60
GKN	16	Turner Newall	9		
		Unilever	88		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 27

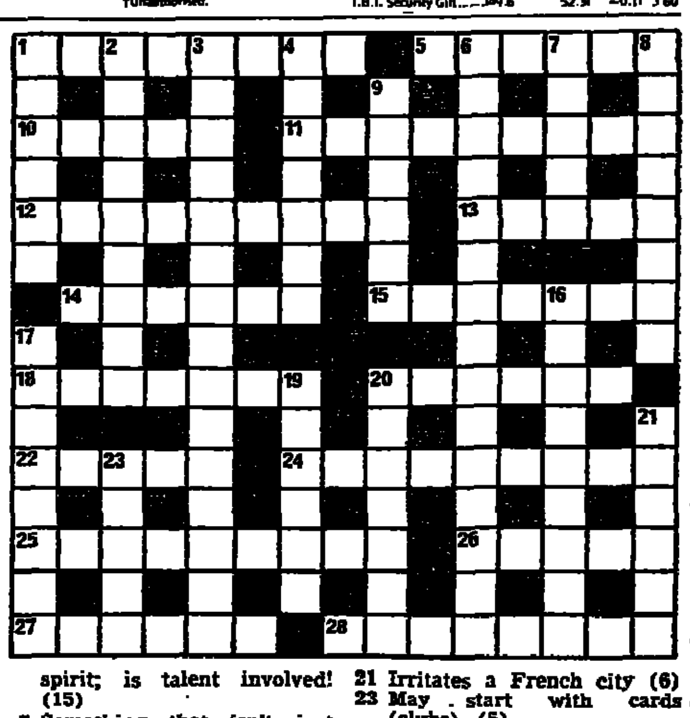
AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Commodity Shares	135.3	144.3	−2.0	2.72
Financial Secs	31.8	33.9	−0.3	2.93
Gold & General	23.7	25.5	−0.3	2.84
Intl. Leisure Mk	10.3	11.0	....	—
Prop Shares	38.1	40.6	....	1.98
Univ Energy	65.3	69.6	−1.3	0.43
World Tech	44.0	46.9	−0.1	—
Overseas Funds				
American Growth	76.4	81.5	−0.4	2.62
American Income	48.5	51.7	+0.1	6.29
Am. Smaller Cos.	19.9	21.3	−0.2	0.49
Am. Spec. Sits	66.5	70.9	−0.3	0.89
Australian Growth	77.3	82.5	−1.4	1.64
Far East	38.5	41.1	−0.2	0.60
Hong Kg. Performance	20.7	22.1	−0.1	2.98
Intl. Growth	25.1	26.8	−0.3	2.80
Japan Perf. Trust	38.8	41.4	+0.4	—
Japan Smllr Co's Tst	12.2	13.0	+0.1	—

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,589



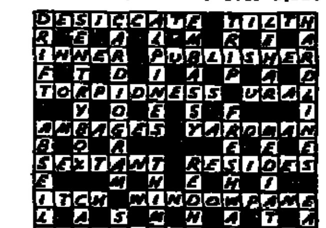
ACROSS

1 Now holding a spanner that's reduced in length (8)
5 The fool, having money returned, starts wasting it (6)
10 Around mid-day switches streets (5)
11 Trust Rosco to be taken in by a prediction! (9)
12 Plan a series of performances (9)
13 Fitting the apparatus with one kind of cable (5)
14 Tease lad about being coarse (6)
15 Gathers it may mean a court appearence (7)
18 Falling behind with pipework (7)
20 Back at home in an effort to consume large quantities (6)
22 You are heard returning with doctor before a dance (5)
24 Post office (9)
25 Insect found in Black Rock Ravine (9)
26 Comes to game after I get double (5)
27 Being deprived of pine, is brought back in (6)
28 Dirty tart staggers into bed! (8)

DOWN

1 Disconnected broken bar put clumisly underneath (6)
2 In rage, perhaps, about boy arguing (9)
3 "No organist" I said "brought about such disorder' (15)
4 Brought up the unknown smell in a rising river! (7)
6 He plays in the street with spirit; is talent involved! (15)
7 Something that isn't just immoral (5)
8 In the case of "A Large Plant" it's a badly written composition (8)
9 Instructions given for Rose Rd. roundabout (6)
16 Ring girl in best shape, being persistent (9)
17 Call round about boy giving description of office staff (8)
19 Gateshead court official finds oil well (6)
20 Gently slap girl on kneecap (7)
21 Irritates a French city (6)
23 May start with cards (clubs) (5)

Solution to Puzzle No. 5,588



INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd
Station Rd, New Barnet. 01-440 8210
Fund Managers, Touche Remnant & Co.

Sel Sec A	26.6	27.4	—	—
Blue Chip	21.4	22.6	—	—
Fixed Yield	19.5	20.6	—	—
Guaranteed Mny	15.9	16.8	—	—
Managed	19.7	20.8	—	—
International	26.6	28.0	—	—
Property	16.5	17.4	—	—
Pacific	20.9	22.1	—	—
Equity	15.4	16.3	—	—
Special Sits	22.5	23.7	—	—
Int Currency	13.9	14.7	—	—
Index Linked Secs	11.1	11.7	—	—
American	20.4	21.5	—	—

Life Assur. Co. of Pennsylvania
8, New Rd, Chatham, Kent. Medway 812348

LACOP Units	24.30	25.02	—	—

Lloyds Life Assurance
20, Clifton St, EC2A 4HX. 01-920 0202

Multi Gwth Dec 6	£2.97771		+0.0502	—
Multi Gwth 'A' Dec 6	269.8	284.0	—	—
Op 8 Prop Nov 29	262.2	276.0	—	—
Op 8 Equity Dec 6	341.6	359.6	−0.6	—
Op Hy Dec 69	275.4	289.9	+1.5	—
Op 8 Man Dec 6	333.1	350.7	+0.3	—
Op 8 Dep Dec 5	199.2	209.7	—	11.78
Op 8 Bond Dec 6	182.0	191.6	−0.7	—
Op 8 Inc Dist Dec 6	137.9	145.2	+0.6	8.90
Op 8 Int Man Nov 29	196.5	206.9	—	—
Op 8 US$ Nov 29	153.4	161.5	—	12.32
Pens 8 Pr Ac Nov 15	337.5	355.3	—	—
Pens 8 Eq Ac Nov 15	967.3	1,018.3	—	—
Pens 8 FI Ac Nov 15	392.6	413.3	—	—
Pens 8 Mtd Act Nov 15	585.4	616.3	—	—
Pens 8 Dp Acc Nov 15	317.2	333.9	—	—
PensBGart Gwth Nov 15	104.5	110.1	—	—
Pens B Gart NA Nov 25	94.6	99.6	—	—
PensBGartP	111.1	117.0	—	—

For Pensions Capital Units please ring extension 519.

Britannia Funds—Series A

National Provident Institution
48, Gracechurch St, EC3P 3HH. 01-623 4200

Managed	189.1	199.1	−0.7	—
UK Equity	206.9	217.8	−1.4	—
Overseas Eq.	188.4	198.4	+0.2	—
American	187.6	197.5	−0.1	—
Far East	178.7	188.2	+1.2	—
Property	112.9	118.9	−0.1	—
Fixed Int	163.5	172.2	—	—
Indexed Gilt	106.2	111.8	+0.3	—
Deposit	113.2	119.2	—	—

Pension Fund Prices

Man. Initial	188.1	198.0	−0.8	—
Man Acc	208.5	219.5	−1.0	—
UK Eq. Initial	191.9	202.0	−1.1	—
UK Eq.	209.8	220.9	−2.0	—
Overseas Eq. Initial	206.7	217.6	+0.1	—
Overseas Eq.	236.8	249.3	+0.1	—
American Initial	202.6	213.3	−0.1	—
American	222.4	234.2	−0.2	—
Far East Initial	223.8	235.6	+1.6	—
Far East	246.4	259.4	+1.8	—
Prop. Initial	108.5	114.1	−0.1	—
Prop.	118.9	125.2	−0.2	—
Fixed Int. Initial	147.0	154.8	—	—
Fixed Int.	160.9	169.4	+0.1	—
Indexed Gilt Initial	100.7	106.1	+0.2	—
Indexed Gilt	110.6	116.5	+0.7	—
Deposit Initial	111.9	117.8	—	—
Deposit	123.4	129.9	—	—

NPI Pensions Management Ltd.

Managed Fund	519.4	532.7	—	—

Prices Dec 1. Next dealing January 2

New Zealand Insurance PLC
110/114, Baxter Avenue, Southend. (0702) 344555

Kiwi Key (Managed)	357.4	368.5	—	—
UK Equity	158.5	166.8	−0.6	—
American	235.9	248.3	−0.8	—
Pacific	373.4	393.1	−1.4	—
Property	152.2	160.3	—	—
Gilt	177.2	186.6	—	—
High Inc. Equity	149.2	157.0	−0.3	—
High Inc. Fxd. Int.	106.4	112.0	+0.4	—
Deposit	148.9	156.7	—	—
Index-Linked Gilt	104.6	110.1	—	—

Norwich Union Insurance Group

Save & Prosper Group
28, Western Rd, Romford RM1 3LB.

Schroder Life Assurance Ltd.
Enterprise House, Portsmouth.

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

COMMODITIES AND AGRICULTURE

Overcapacity in feed nears 25%

BY ANDREW GOWERS

THE ANIMAL feed industry has excess capacity totalling between 2.5m and 3m tonnes, about a quarter of the total, Britain's leading feed compounder said yesterday.

Mr Allan Price, chairman of BOCM Silcock, Unilever's agricultural subsidiary, said in London that reduced use of cake as a result of EEC milk production quotas has cut the feed market by 1m tonnes.

He said: "You cannot take 1m tonnes out of the market without having some adjustment to the supply and demand situation. Many compounders are now in the throes of painful adaptation to the now smaller, even more competitive, market."

BOCM has already announced the removal of 120,000 tonnes of capacity with the closure of its Avonmouth and Aylesham feed mills and the construction of a streamlined plant in the Avon area. This reorganisation will lead to 140 job losses.

However, Mr Price's remarks are a clear indication that more of the industry's production capacity will have to go. Total output of compounds last year was just over 11m tonnes, 37 per cent of which went to feed dairy cows. The total market size is estimated at between 9m and 10m tonnes.

Large feed companies such as BOCM are suggesting that the small regional compounders —particularly in the west of England and Wales, where dairying is concentrated — may bear the brunt of capacity reduction. There is speculation that some of them may seek to merge with national companies.

But BOCM's immediate farmers to bost production in priority is to encourage dairy order to meet Britain's national quota. Both the Milk Marketing Board and — more quietly — the Agriculture Ministry are exhorting milk producers to increase output, as the country is more than 3 percentage points below quota.

Decision deferred on gold futures

BY JOHN EDWARDS, COMMODITIES EDITOR

MOST member companies want the London Gold Futures Market to continue trading in some form. But they are undecided how this should be achieved.

That was the verdict of a special meeting of members held at the Great Eastern Hotel, London, yesterday morning.

The meeting, which lasted 1½ hours, was eventually adjourned until January to give time for the board of directors to discuss the views expressed and to put forward some definite proposals.

No formal vote was taken However, it is understood that, in a show of hands, 13 of the 50 "floor" and associate member companies represented (out of 54 eligible to attend) favoured closing the market and 22 that it should continue. However, no consensus was reached on the various moves suggested to put new life into the market, where turnover has fallen to such a low ebb that its whole future is threatened.

Several options were mentioned. Possible mergers with the London International Financial Futures Exchange; the London Metal Exchange; London Commodity Exchange or Intex, the Bermuda based fully automated futures exchange were suggested.

The main preoccupation was in retaining the "black box" arrangement for Value Added Tax, under the special scheme that allows exemption and zero rating for members of the gold futures market.

Warning on cheese price

By Our Commodities Staff

CHEESE PRICES in Britain will rise further in the New Year as a result of increasing manufacturing costs and limits on output caused by EEC milk quotas, Dairy Crest, the Milk Marketing Board's commercial subsidiary, warned yesterday.

Mr Paul Pegden Smith, its cheese group director, said cheddar prices, the industry yardstick, would inevitably rise £100 a tonne. Cheddar manufacturers' stocks were at a five-year low of just over 61,000 tonnes.

Dairy Crest said cheese consumption rose 1 per cent in the year to June, with a marked shift towards soft cheese.

● NICKEL production by Societe le Nickel has been badly affected by the troubles in New Caledonia and ore supplies to its smelter are sporadic, the company said, yesterday in Noumea.

There has been no ore production at the main mine at Thio for 14 days due to a blockade by Melanesians campaigning for independence from France.

● MALAYSIA has lowered export duty on most grades of rubber to ¾ cents per kilo from ⅞ cents.

● WOOL: Australian Wool Production Forecasting Committee has raised its forecast of 1984-85 Australian wool output to 773.3m kg greasy from the 755m forecast in October. This would be the highest annual level since 1974-75 when output amounted to 793.3m kg.

● INTERNATIONAL Sugar Organisation exporting members are meeting in full their obligations to hold special stocks totalling 2.5m tonnes raw value, according to Mr William Miller, the ISO executive director.

Special stocks have been inspected recently in all exporting countries except El Salvador, which was previously granted a deferral in meeting its obligation, he said.

West German sugar statistical organisation F. O. Licht has raised its European sugar production estimate for 1984-85 to 30.4m tonnes from 30.2m estimated in October and 29.9m in 1983-84.

Time for a new economic theory

BY JOHN CHERRINGTON

A COUPLE of years ago I was asked to speak to the joint sixth forms of two well-known public schools. The subject naturally enough was the Common Agricultural Policy.

My views were accepted without too much argument one way or another, except that one or two farmers' sons did not like my forecast, which has since proved correct, of restrictions on production.

What really astounded me was that most of these intelligent young men and women were studying economics as A level subjects and many of them, I gathered, hoped to make their future careers in some branch of that science.

The mind boggles when you add up the massed armies of embryo economists pouring forth from our various institutions of learning, because I understand it is one of the most popular subjects today.

My knowledge of economics is of course pretty basic. If I produce one sheep, a ton of corn, or a gallon of milk more than the customer wants to buy or can pay for then the price falls, and the price falls far more than the actual figure of oversupply justifies. Of course the same retribution awaits the manufacturer who does not get the market right.

The conventional economist claims that this is all to the good and that it sharpens the wits of the producers and makes them efficient operators in a market economy. It is a pity, they say, that governments protect their inefficient producers with such things as the Common Agricutural Policy and any other hindrance to the free movement of goods and services.

I disagree profoundly and for these reasons.

During the early 1930s farmers in Britain, the U.S., and the Commonwealth were in a depressed state because when they tried to sell their output markets were almost nonexistent.

That is wrong. There were, even in those days, lots of people suffering malnutrition, some actually starving because they could not afford to buy food. There was of course no television then to bring the starving into every sitting room.

Solutions

There had of course been hunger and starvation all through history and shortages of other goods but by the end of the 1920s the physical limits to production had been overcome. The problem then, as now, was to get the distribution right.

There are of course some solutions. In 1931 I was working on a large ranch in Argentina, and the company's auditor pointed out that the sheep flock never showed any increase where it should have done.

I explained that most of them were stolen by the local villagers, many of whom were out of work and had no social security at all. It was better, I told him, to lose a few sheep worth about 25p a head at that time than the more valuable cattle and crops.

I did not add that I had no intention of risking my own life or even that of one of the thieves trying to prevent it happening.

Mountains

Roughly the same principles apply today. The enormous sums owed by certain developing countries — which are uncertain of ever being paid and were probably never intended to be paid by the recipients — are simply the modern equivalent of my sheep stealers' booty.

Ah, you will say, "There always have been thieves of one sort and another." True enough. But it is only since the third decade of the 20th century that production of food and everything else necessary to mankind is available and in surplus.

There were mountains of grain, meat and everything else in the 1930s just as there are today. We have still not learned how to distribute them to those who really need them.

There must be a solution other than restrictions, the reining back of production, which has been the fashion up until now. But this was no more than the human version of the economists' law of supply and demand which worked fairly well in the days of general scarcity but is no longer good enough today.

Unfortunately, although there are many who see the faults of our present system, most governments are in the thrall of the orthodox economists who can see no alternative to conventional economic theory.

I am sure I said something of this sort to those young people as an aside to my prepared text. But would it be too much to hope that among the thousands graduating in economic disciplines there are a few who are prepared to look for another way of conducting the affairs of man and solving the problems of distribution — the economics of plenty and not scarcity?

Wrong oil price forecasts 'led to expensive errors'

BY NANCY DUNNE IN WASHINGTON

INACCURATE FORECASTS of oil prices in the early part of this decade led to one of the most expensive business errors ever, according to a report published this week.

About $500bn (£414bn) was invested around the world in 1980 and 1981 on the assumption that oil prices would continue to rise throughout the rest of the century, Cambridge Energy Research Associates said in its report The Future of Oil Prices: The Perils of Prophecy.

Since the early 1970s consensus has been the norm in oil prices predictions, the report says—"and in each case the consensus has been wrong."

Mr Daniel Yergin, president of Cera, warns in his introduction to the study: "After 15 years of turbulence, it is clear that the impact of unpredictable factors is so great that oil prices cannot be accurately predicted."

The study warns that current expectations for oil prices could be undercut by new forces at work in energy and oil demands, a basic structural revolution in the oil industry and geopolitics.

In the early 1970s only a few institutions, primarily large oil companies and a few banks, did long term oil forecasts. Today several agencies and companies have turned to forecasting but the basic work is still done by a small number of companies and institutions.

These forecasters make up a "community," the report notes, in which there is a continuing exchange of information. These exchanges, along with a commonality of methods and assumptions, contribute to a consensus in viewpoints.

It says: "Forecasters who stray from the consensus have more difficulty persuading senior management of the credibility of their work than those who stay within it."

The report concludes: "The perils of prophecy are already evident in the current troubles of oil and gas and oil service industries, in the growing number of non performing loans in North America . . . and in the mountain debt of oil exporting countries."

● Mr Michael Bowers, International Petroleum Exchange chief executive, commenting on its improved turnover, said: "Continuing uncertainty about Opec's ability to maintain the price of oil at its chosen level has highlighted the economic advantages offered by our gas oil futures contract as an intrinsic component in securing improved returns from the trading of oil."

Between July and October IPE turnover rose from 41,674 lots (100 tonnes each) to 84,421 lots before falling back to 56,239 lots last month.

N. Zealand in further barter deal with Iran

By Dai Hayward

NEW ZEALAND has signed another oil for lamb barter deal with Iran. The deal worth about NZ$300m (£121m) will see 100,000 tonnes of lamb go to Iran in return for 6m barrels of oil.

However New Zealand will not receive the oil direct. It will be sold through an oil broker in Europe or Japan. The proceeds will go into a special bank account and as the New Zealand lamb is shipped to Iran payments will be made from the proceeds of the oil sales.

This is similar to a 1982 oil for lamb deal.

On that occasion, Iran had some difficulty fulfilling the oil part of the contract and payments for the lamb were slow. At one stage the New Zealand Meat Board stopped the sailing of a fully laden meat ship for five weeks until an overdue payment had been received.

The NZ Meat Board does not believe there will be any problems over the new contract. All the details for the lamb side of the deal have been concluded and signed by the Iranian Meat Organisation, the General Trading Company and the bilateral trading company which will link the meat to the oil sale.

However, final details of how the oil will be sold and the choice of the international oil operator through which it will pass have still to be finalised.

Slaughtering of lamb according to Muslim religious rites will begin before Christmas and the first shipments will leave for Iran in early January. Ships will sail practically every week until September, discharging the lamb at the Gulf port of Bandar Abbas.

Iran is a vital market for New Zealand lamb, taking about a third of the total production. The meat board says it will still be able to meet its commitments to other markets.

● NDIA will invest Rs 1.57bn (£108m) in the five years beginning April 1, 1985, to plant coffee on 50,000 hectares, the Commerce Ministry said.

LONDON MARKETS

BASE METALS prices on the London Metal Exchange moved higher yesterday with the biggest advance being registered in nickel. Cash nickel moved up £85 to £4,067.50 a tonne taking the rise on the week so far to £145 a tonne. Dealers attributed the rise to deepening fears about a squeeze on supplies available for nearby delivery w'/ch was also reflected in the elimination of the cash discount against three months metal, which yesterday stood at £44 a tonne. Unrest which has hit production in New Caledonia was a further bullish factor.

The aluminium market was also strong with the cash quotation gaining £17.25 to £941 a tonne. Dealers put this rise down to covering against short positions and forecasts that next Monday's International Primary Aluminium Institute figures would show a smaller rise in world stocks than recently.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

	Dec. 6 1984	+ or —	Month ago
METALS			
Aluminium	£1100		£1100
[illegible]			

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1100-.5	+5	1096-7	+1
3 months	1117.5	+7.5	1114-.5	+2.5
Settlem't	1100.5	+5	—	—
Cathodes		—	—	—
Cash	1110-5	+8	1112-4	+6
[illegible]				

ALUMINIUM

NICKEL

LEAD

TIN

ZINC

GOLD

INDICES

FINANCIAL TIMES

REUTERS

MOODY'S

DOW JONES

SILVER

GRAINS

COCOA

COFFEE

PIGMEAT

POTATOES

OIL

User demand for January, Brent pushed prices steadily up by around 15c during the morning. Nymex opened 4c up and traded up to 8c higher during the morning but eased 3c by 1 pm EST. The petroleum pro- [illegible]

SPOT PRICES

GAS OIL FUTURES

RUBBER

SOYABEAN MEAL

SUGAR

U.S. MARKETS

THE gold and silver markets continued to trade in a featureless fashion with participation subdued ahead of the U.S. money supply figures which were due out after the close, reports Heinold Commodities. Copper and aluminium were firm on renewed commission house buying on the strength to sterling. Sugar weakened on bearish fundamentals of large world stocks continuing to overhang the market. Cocoa and c/fee traded in a firmer fashion reflecting the firmer tone to sterling. Cotton was steady with participation limited ahead of the expo.. sales report. After the short term weat'.er-related rally ran its course, heating oil weakened on the adequate supply situation in the New York harbour. Maize was steady to firm on light cash movement.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	51.90	51.35	50.85	50.50
Jan	52.15	—	—	50.80
March	53.05	53.20	51.75	51.70
May	53.85	53.70	52.85	52.60
July	54.84	53.90	53.75	53.50
Sept	55.75	54.65	54.65	54.40
Dec	57.10	—	—	55.75
Jan	57.55	—	—	56.20
[illegible]				

CRUDE OIL (LIGHT) 42,000 U.S. gallons, cents/U.S. gallons

	Close	High	Low	Prev
Jan	27.68	27.87	27.68	27.70
Feb	27.58	27.78	27.57	27.60
March	27.45	27.66	27.45	27.48
April	27.32	27.50	27.30	27.38
[illegible]				

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	67.07	67.22	66.77	66.62
Feb	65.20	65.50	65.07	65.07
April	67.27	67.50	67.25	67.27
[illegible]				

OTHER MARKETS

WOOL FUTURES

ROTTERDAM

PARIS

COTTON

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Bundesbank adds to $ disarray

The dollar moved erratically in currency markets yesterday, reflecting a low trading volume and intervention by the Bundesbank. The latter was active from time to time, taking advantage of the thin trading to push the dollar weaker. The most immediate effect was to make a predominantly erratic market even more jumpy and the spread between buying and selling rates widened as a consequence.

Despite the fact that there is still more than two full trading weeks before Christmas, many commercial banks are already squaring off their books, prompting one dealer to describe yesterday's dollar/D-mark market as being something of a circus. The dollar touched a high of DM 3.1055 but it soon became clear that this break through DM 3.10 was unlikely to be sustained. During the day it slithered down to DM 3.0540 before finishing at DM 3.0625 compared with Wednesday's close of DM 3.0785. Elsewhere it finished at SwFr 2.5245 from SwFr 2.5450 and Y246.55 from Y246.75. It was also weaker against the French franc at FFr 9.3825 from FFr 9.42.

On Bank of England figures, the dollar's trade-weighted index was 142.5 from 142.4. With many people remaining on the sidelines, there appeared to be little attention paid to fundamentals likely to affect the market. The release of U.S. M1 money supply figures was due after the close of business in London and was expected to show a further rise. However, they will have to differ significantly from market estimates to have much influence on the dollar.

STERLING — Trading range against the dollar in 1984 is 1.4905 to 1.1875. November average 1.2415. Exchange rate index closed unchanged at 74.7 compared with 79.7 six months ago. The day's range was confined to 74.8 to 74.6.

Sterling suffered in much the same way as the dollar. Its unchanged index failed to reflect its overall weaker trend although the erratic nature of trading made it difficult to establish any clear pattern. Against the dollar it slipped to $1.2060-1.2070, a fall of 15 points from Wednesday. It was weaker against the D-mark at DM 3.69 from DM 3.72 and SwFr 3.0450 compared with SwFr 3.08. It was also weaker against the yen at Y297.50 from Y298.25 and FFr 11.30 compared with FFr 11.39.

D-MARK — Trading range against the dollar in 1984 is 3.1410 to 2.5533. November average 2.9906. Trade weighted index 126.8 against 126.5 six months ago.

The dollar was fixed at DM 3.0755 against the D-mark at yesterday's fixing in Frankfurt, down from levels touched earlier in the day but up from Wednesday's fixing of DM 3.0640. The Bundesbank sold a token $7.55m at the fixing. Trading was rather thin and there was little support for the dollar when it briefly broke through the DM 3.10 level. The low volume accounted for the volatile nature of the market with no new factors to influence trading.

Sterling was lower at DM 3.7050 from DM 3.7150 while the Swiss franc improved to DM 1.2135½ from DM 1.2090. Within the EMS, the Belgian franc was unchanged at DM 4.966 per BFr 100 as was the French franc at DM 32.65 per FFr 100. The Dutch guilder was marginally weaker at DM 88.62 per Fl 100 from DM 88.635.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.9353	+0.08	+0.38	±1.5428
Danish Krone	8.14104	8.02455	−1.43	−1.13	±1.6421
German D-Mark	2.24184	2.23241	−0.42	−0.12	±1.1463
French Franc	6.87456	6.83713	−0.54	−0.24	±1.3659
Dutch Guilder	2.52595	2.51946	−0.26	+0.06	±1.5165
Irish Punt	0.72569	0.716654	−1.24	−0.94	±1.6671
Italian Lira	1403.49	1379.09	−1.74	−1.74	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING EXCHANGE RATE INDEX

	Dec 6	Previous
8.30 am	74.8	75.0
9.00 am	74.8	74.9
10.00 am	74.8	74.9
11.00 am	74.8	74.9
Noon	74.6	75.0
1.00 pm	74.7	75.0
2.00 pm	74.6	74.8
3.00 pm	74.7	74.8
4.00 pm	74.7	74.7

£ in New York

	December 6	Prev. close
£ Spot	$1.2065-2075	$1.1980-.1990
1 month	0.06-0.04pm	0.08-0.05 pm
3 months	0.10-0.06 pm	0.13-0.08 pm
12 months	0.50-0.60 dis	0.38-0.48 dis

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Dec 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1990-1.2110	1.2060-1.2070	0.07-0.05c pm	0.60	0.12-0.10 pm	0.36
Canada	1.5892-1.5953	1.5936-1.5953	0.14-0.22c dis	−1.35	0.38-0.53dis	−1.15
Nethlnd.	4.16½-4.19½	4.16½-4.17½	1½-1¼c pm	3.96	4¼-3¾ pm	3.78
Belgium	74.44-74.90	74.45-74.65	4-9c dis	−1.05	13-22 dis	−0.94
Denmark	13.29¾-13.37½	13.31½-13.32½	2½-3½ore dis	−2.70	6¼-7¼ dis	−2.18
Ireland	1.1876-1.1961	1.1883-1.1893	0.46-0.62p dis	−5.45	1.42-1.68dis	−5.01
W. Ger.	3.68½-3.72½	3.68½-3.69½	1½-1¼pf pm	4.06	3½-3¼ pm	3.86
Portugal	198.55-200.33	198.77-200.14	195-625c dis	−24.66	585-1735dis	−23.26
Spain	205.29-206.65	205.29-205.58	43-68c dis	−3.24	130-180 dis	−3.02
Italy	2,281½-2,298½	2,284½-2,285½	8-11 lire dis	−4.98	28-31 dis	−4.99
Norway	10.71½-10.80	10.73-10.74	2¼-3¼ore dis	−3.42	8¾-9¼ dis	−3.35
France	11.29½-11.38¾	11.29½-11.30½	⅞-1⅝c dis	−1.33	3¾-4¾ dis	−1.35
Sweden	10.55-10.61¾	10.55½-10.56½	⅞-2ore dis	−1.99	5¼-5¾ dis	−2.08
Japan	296¾-298	297-298	0.85-0.75y pm	3.23	2.50-2.40 pm	3.29
Austria	25.96-26.13	26.08-26.11	4½-2¾gro pm	1.72	13½-10½ pm	1.83
Switz.	3.04-3.07¾	3.04-3.05	1½-1¼c pm	4.93	3¾-3¼ pm	4.52

Belgian rate is for convertible francs. Financial franc 74.70-74.80. Six-month forward dollar 0.05c pm-par, 12-month 0.38-0.48c dis.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.1990-1.2110	1.2060-1.2070	0.07-0.05c pm	0.60	0.12-0.10 pm	0.36
Ireland†	1.0070-1.0180	1.0160-1.0180	0.53-0.48c pm	5.97	1.40-1.30 pm	5.32
Canada	1.3209-1.3227	1.3220-1.3225	0.19-0.22c dis	−1.86	0.45-0.50dis	−1.44
Nethlnd.	3.4450-3.5010	3.4560-3.4570	0.98-0.94c pm	3.34	2.93-2.89 pm	3.37
Belgium	61.70-62.41	61.70-61.80	9½-11c dis	−1.97	20-23 dis	−1.38
Denmark	11.01¾-11.11¾	11.01¾-11.02¼	2-3ore dis	−2.72	5-7 dis	−2.18
W. Ger.	3.0540-3.1055	3.0620-3.0630	0.86-0.81pf pm	3.27	2.72-2.67 pm	3.52
Portugal	165-166½	165-166	175-525c dis	−25.30	500-1450dis	−23.49
Spain	170.00-172.16	170.00-170.25	45-55c dis	−3.51	135-155 dis	−3.39
Italy	1,892-1,915¾	1,892½-1,893½	9½-10 lire dis	−6.18	27-27¾ dis	−5.79
Norway	8.88¾-8.94½	8.88¾-8.88¾	2.80-3.30ore dis	−4.11	8.00-8.50dis	−3.71
France	9.38-9.50	9.38-9.38½	1.45-1.55c dis	−1.92	3.80-4.20dis	−1.71
Sweden	8.74¾-8.81½	8.74¾-8.75¾	1.66-2.16ore dis	−2.60	5.10-5.60dis	−2.44
Japan	246.00-247.45	246.50-246.60	0.54-0.50y pm	2.53	1.82-1.77 pm	2.91
Austria	21.46-21.81	21.46-21.50	2.40-1.50gro pm	1.08	9.00-7.00 pm	1.48
Switz.	2.5190-2.5635	2.5240-2.5250	0.90-0.84c pm	4.13	2.68-2.62 pm	4.19

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 61.90-62.41.

OTHER CURRENCIES

Dec. 6	£	$		£ Note Rates
Argentina Peso	182.86-185.17	151.82-151.94	Austria	26.00-26.30
Australia Dollar	1.4155-1.4175	1.1760-1.1765	Belgium	74.75-76.55
Brazil Cruzeiro	3,496.88-3,525.68	2,903-2,923	Denmark	13.32-13.45
Finland Markka	7.5857-7.7118	6.3780-6.3800	France	11.31-11.43
Greek Drachma	151.01-154.07	125.53-126.07	Germany	3.70-3.74
HongKong Dollar	9.4120-9.4240	7.8240-7.8270	Italy	2285-2315
Iran Rial	110.70*	93.25*	Japan	297-300
KuwaitDinar(KD)	0.36490-0.36535	0.30335-0.30345	Netherlands	4.18-4.22
Luxembourg Fr.	74.45-74.65	61.70-61.80	Norway	10.71-10.82
Malaysia Dollar	2.8990-2.9005	2.4100-2.4130	Portugal	199-210
New Zealand Dlr.	2.4705-2.4755	2.0520-2.0540	Spain	203-213
Saudi Arab Riyal	4.2830-4.2880	3.5605-3.5615	Sweden	10.54-10.65
Singapore Dollar	2.6055-2.6100	2.1660-2.1675	Switzerland	3.05-3.08
Sth African Rand	2.2068-2.2148	1.8380-1.8415	United States	1.19½-1.21½
U.A.E. Dirham	4.4170-4.4235	3.6720-3.6730	Yugoslavia	270-290

* Selling rates.

CURRENCY RATES

Dec. 6	Bank rate %	Special Drawing Rights	Europ'n Currency Unit
Sterling	—	0.823608	0.603368
U.S.$	8½	0.991257	0.726697
Canadian $	10.75	*	0.960693
Austria Sch.	4½	21.4092	15.7039
Belgian Fr.	11	61.4882	44.9353
Danish Kr.	7	10.9782	8.02455
Dmark	4½	3.04960	2.23241
Guilder	5	3.44164	2.51946
French Fr.	9½	N/A	6.83713
Lira	16½	1888.34	1379.09
Yen	5	245.287	179.803
Norwgn Kr.	8	N/A	6.45942
Span'h Ptar.	½	169.502	124.265
Swedish K.	9	8.73446	6.37131
Swiss Fr.	4	2.51333	1.84181
Greek Dr'ch	20½	125.502	91.5555
Irish Punt	12¾	N/A	0.716664

*CS/SDR rate for December 5: 1.31238.

CURRENCY MOVEMENTS

Dec 6	Bank of England Index	Morgan Guaranty Changes%
Sterling	74.7	−15.6
U.S. dollar	142.5	+28.5
Canadian dollar	90.0	−3.6
Austrian schilling	110.9	+3.1
Belgian franc	88.6	−11.0
Danish Kroner	75.6	−5.7
Deutsche mark	120.8	+6.4
Swiss franc	140.1	+9.9
Guilder	110.8	+3.3
French franc	63.9	−16.1
Lira	46.7	−14.2
Yen	166.5	+12.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

EXCHANGE CROSS RATES

Dec. 6	Pound Sterling	U.S. Dollar	Deutsche m'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.207	3.690	297.5	11.30	3.045	4.170	2285.	1.595	74.55
U.S. Dollar	0.829	1.	3.063	246.5	9.368	2.526	3.457	1893.	1.322	61.75
Deutschemark	0.271	0.327	1.	80.53	3.063	0.825	1.130	619.2	0.432	20.20
Japanese Yen 1,000	3.361	4.056	12.40	1000.	37.98	10.24	14.02	7681.	5.360	250.6
French Franc 10	0.885	1.068	3.265	263.3	10.	2.695	3.690	2022.	1.411	65.97
Swiss Franc	0.328	0.396	1.212	97.70	3.711	1.	1.369	750.4	0.524	24.48
Dutch Guilder	0.240	0.289	0.885	71.34	2.710	0.730	1.	548.0	0.382	17.88
Italian Lira 1,000	0.438	0.528	1.615	130.2	4.945	1.333	1.825	1000.	0.698	32.63
Canadian Dollar	0.627	0.757	2.314	186.5	7.087	1.910	2.615	1433.	1.	46.75
Belgian Franc 100	1.341	1.619	4.950	399.1	15.16	4.085	5.594	3065.	2.139	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Dec. 6	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): Short-term 8⅞-9⅛ per cent; seven days 8⅞-9 per cent; one month 9⅛-9¼ per cent; three months 9⅜-9½ per cent; six months 9⅝-9¾ per cent; one year 10⅛-10¼ per cent. Long-term Eurodollars: two years 11-11⅛ per cent; three years 11⅜-11½ per cent; four years 11⅝-11¾ per cent; five years 11⅞-12⅛ per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Prices weaken

Prices weakened on the London International Financial Futures Exchange yesterday. There was considerable confusion and uncertainty about the direction of the U.S. dollar in the near future and about the likely direction of interest rates. Eurodollar futures opened weak, discouraged by the overnight decline on Wall Street. The March contract began at 90.11, but this was still near the high point of the day of 90.12. Chicago opened as sellers, and March Eurodollars finished only slightly above the day's low at 90.03 compared with 90.15 previously.

The mood of depression was exaggerated by expectations of another rise in weekly U.S. M1 money supply, which coupled with the previous week's large increase of $6.7bn, seemed likely to prevent any further easing of the Federal Reserve's monetary policy.

Gilts were quiet, reflecting the lack of movement on the cash market. December remained the most active month, and was depressed initially by the overnight weakness of the U.S. bond market. After opening at 109-27 the December price finished little changed at 109-28, compared with 109-31 on Wednesday.

Three-month sterling deposits were very dull, with December delivery opening and closing unchanged on the day at 90.24.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	90.62	90.67	90.60	90.72
March	90.03	90.12	90.02	90.15
June	89.67	89.80	89.65	89.71
Sept	89.18	89.21	89.15	89.31
Dec	88.91	88.75	88.72	88.82

Estimated volume 3,204 (2,890)
Previous day's open int 10,682 (11,225)

THREE-MONTH STERLING £250,000 points of 100%

	Close	High	Low	Prev
Dec	90.24	90.24	90.22	90.24
March†	90.37	90.39	90.36	90.41
June†	90.27	90.29	90.27	90.30
Sept†	90.11	90.12	90.10	90.20
Dec†	89.90	89.92	89.90	89.93

Estimated volume 682 (1,016)
Previous day's open int 5,700 (6,075)
† £500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	109-28	110-01	109-24	109-31
March	109-09	109-13	109-05	109-09
June	108-26	—	—	108-27
Sept	111-15	—	—	111-15
Dec	—	—	—	110-22

Estimated volume 1,212 (2,262)
Previous day's open int 2,383 (2,263)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −2 to 8 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.2058	1.2060	1.2005	1.2065
March	1.2057	1.2058	1.2020	1.2047
June	1.2035	—	—	1.2065

Estimated volume 18 (11)
Previous day's open int 5,644 (5,645)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3244	0.3257	0.3230	0.3248
March	0.3273	0.3285	0.3250	0.3277

Estimated volume 95 (23)
Previous day's open int 288 (280)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Dec	0.3933	0.3941	0.3921	0.3933
March	0.3974	0.3984	0.3974	0.3977

Estimated volume 9 (44)
Previous day's open int 514 (514)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Dec	0.4051	0.4057	0.4041	0.4053
March	0.4081	0.4087	0.4071	0.4083

Estimated volume 17 (105)
Previous day's open int 349 (346)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	117.30	117.35	116.75	117.80
March	117.40	117.40	117.10	117.95
June	117.80	—	—	118.30

Estimated volume 440 (331)
Previous day's open int 893 (883)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	71-22	71-31	71-22	72-10
March	70-30	71-09	70-22	71-17
June	70-10	—	—	70-28

Estimated volume 829 (1,297)
Previous day's open int 1,585 (1,767)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	71-22	71-28	71-22	71-30
March	70-25	71-05	70-23	71-09
June	70-10	70-17	70-10	70-18
Sept	69-24	70-00	69-24	70-01
Dec	69-10	69-15	69-10	69-17
March	68-31	69-01	68-30	69-04
June	68-21	68-23	68-20	68-24
Sept	68-15	68-15	68-11	68-14
Dec	68-05	68-11	68-05	68-06
March	67-29	68-01	67-29	68-04
June	67-20	67-24	67-20	67-27
Sept	—	—	—	67-19

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	91.58	91.58	91.53	91.59
March	91.21	91.27	91.21	91.28
June	90.79	90.83	90.76	90.83
Sept	90.42	90.45	90.42	90.45
Dec	90.10	90.11	90.10	90.13
March	89.77	89.77	89.77	89.81
June	89.50	89.50	89.50	89.54
Sept	89.22	89.22	89.22	89.26

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	90.97	91.00	90.95	91.00
March	90.43	90.47	90.42	90.48
June	89.95	89.97	89.93	90.01

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	90.60	90.66	90.59	90.65
March	90.03	90.09	90.03	90.08
June	89.54	89.59	89.55	89.61
Sept	89.15	89.18	89.14	89.18
Dec	88.77	88.79	88.77	88.82
March	88.46	88.49	88.46	88.52
June	88.15	—	88.15	88.19
Sept	87.86	87.86	87.85	87.90

STERLING (IMM) $ per £

	Latest	High	Low	Prev
Dec	1.2030	1.2070	1.2025	1.2080
March	1.2020	1.2065	1.2015	1.1990
June	1.2050	1.2070	1.2050	1.1995
Sept	1.2070	1.2080	1.2060	1.2005
Dec	1.2110	1.2130	1.2110	1.2015

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	66-01
March	66-08	66-08	65-31	66-14
June	67-20	67-20	67-18	67-18
Sept	—	—	—	67-02
Dec	—	—	—	66-20
March	—	—	—	66-06
June	—	—	—	65-28

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The Table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, December 5, 1984. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions. Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of December 5 at 11.00 a.m.
3 months: 9⅛ 6 months: 9⅜

ECU=$US.728566 SDR1=$US.992925
Sibor as of December 5 at 11.00 a.m.
3 months: 9¼ 6 months: 9⅜

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	50.60
Albania	Lek	5.3402
Algeria	Dinar	5.09
Andorra	Fr. Franc	9.3875
	Sp. Peseta	170.45
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	New Peso (o)	180.60
Australia	Dollar	1.1704
Austria	Schilling	21.5223
Azores	Port. Escudo	164.50
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3768
Balearic Is.	Sp. Peseta	170.45
Bangladesh	Taka	26.05
Barbados	Dollar	2.0113
Belgium	Franc (C)	61.7075
	Franc (F)	61.845
Belize	Dollar	2.00
Benin	C.F.A. Franc	469.375
Bermuda	Dollar	1.00
Bhutan	Ind. Rupee	12.19
Bolivia	Peso (12)	8785.00
Botswana	Pula	1.4815
Brazil	Cruzeiro (o)	2874.00
Brunei	Dollar	2.1677
Bulgaria	Lev	1.032
Burkina Faso	C.F.A. Franc	469.375
Burma	Kyat	8.5691
Burundi	Franc	123.674
Cameroun Rp	C.F.A. Franc	469.375
Canada	Dollar	1.3223
Canary Is.	Sp. Peseta	170.45
Cape Verde Is.	Escudo	89.388
Cayman Is.	Dollar	0.833
Cen. Africa Rep.	C.F.A. Franc	469.375
Chad	C.F.A. Franc	469.375
Chile	Peso (o) (5)	131.85
China	Renminbi Yuan	2.7977
Colombia	Peso (o)	113.38
Comoros	C.F.A. Franc	469.375
Congo Pple Rep. of	C.F.A. Franc	469.375
Costa Rica	Colon (4)	47.75
Cuba	Peso	0.8996
Cyprus	Pound*	1.5765
Czechoslovakia	Koruna (O)	6.65
Denmark	Krone	11.0125
Djibouti Rp. of	Franc	181.576
Dominica	E. Caribbean $	2.70
Domin. Rep.	Peso	1.00
	Peso (d)	3.00
Ecuador	Sucre (o, c)	67.18
	Sucre (d)	119.50
	Sucre (f)	95.75
Egypt	Pound	0.8316
El Salvador	Colon	2.50
	Colon (d)	4.00
Eq'tl Guinea	Ekuele	340.90
Ethiopia	Birr (O)	2.052
Faeroe Is'd	Dan. Krone	11.0125
Falkland Is'd	Pound*	1.211
Fiji	Dollar	1.1277
Finland	Markka	6.3905
France	Franc	9.3875
Fr. C'ty in Af	C.F.A. Franc	469.375
Fr. Guiana	Franc	9.3875
Fr. Pac. Is'd.	C.F.P. Franc	170.682
Gabon	C.F.A. Franc	469.375
Gambia	Dalasi	4.1288
Germany (E)	Ostmark (O)	3.0637
Germany (W)	Mark	3.0637
Ghana	Cedi (14)	50.00
Gibraltar	Pound*	1.211
Greece	Drachma	126.15
Greenland	Dan. Krone	11.0125
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	9.3875
Guam	U.S. $	1.00
Guatemala	Quetzal (O) (13)	1.00
	Quetzal (h)(i)	1.47
Guinea Bissau	Peso	84.6529
Guinea Rep.	Syli	24.8612
Guyana	Dollar	4.12
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
	Lempira (d)	2.65
Hong Kong	Dollar	7.8245
Hungary	Forint	50.8586
Iceland	Krona (10)	39.755
India	Rupee	12.19
Indonesia	Rupiah	1069.00
Iran	Rial (o)	92.9577
Iraq	Dinar	0.3109
Irish Rep	Punt	1.017
Israel	Shekel	590.50
Italy	Lira	1895.50
Ivory Coast	C.F.A. Franc	469.375
Jamaica	Dollar (o) (9)	4.84
Japan	Yen	246.43
Jordan	Dinar	0.3905
Kampuchea	Riel	n.a.
Kenya	Shilling	14.8922
Kiribati	Aust. Dollar	1.1704
Korea (Nth)	Won	0.94
Korea (Sth)	Won	823.10
Kuwait	Dinar	0.3036
Lao P'ple D. Rep.	Kip	35.00
Lebanon	Pound	8.22
Lesotho	Maloti	1.8265
Liberia	Dollar	1.00
Libya	Dinar	0.2961
Liechtenstein	Sw. Franc	2.6357
Luxembourg	Lux. Franc	61.7075
Macao	Pataca	8.1336
Madagascar D. R.	Franc	645.109
Madeira	Port. Escudo	164.50
Malawi	Kwacha	1.5436
Malaysia	Ringgit	2.4125
Maldive Is.	Rufiyaa (o)	3.93
	Rufiyaa (m)	7.05
Mali Rp	C.F.A. Franc	469.375
Malta	Lira*	2.0725
Martinique	Franc	9.3875
Mauritania	Ouguiya	67.16
Mauritius	Rupee	15.125
Mexico	Peso (d)	205.42
	Peso (e)	188.00
Miquelon	Fr. Franc	9.3875
Monaco	Fr. Franc	9.3875
Mongolia	Tugrik (o)	3.3555
Montserrat	E. Caribbean $	2.70
Morocco	Dirham	9.15
Mozambique	Metica	45.732
Namibia	S. Rand	1.8265
Nauru Is.	Aust. Dollar	1.1704
Nepal	Rupee	16.729
Netherlands	Guilder	3.4557
Neth Ant'les	Guilder	1.80
New Zealand	Dollar	2.0475
Nicaragua	Cordoba	10.00
	Cordoba (d)	200.00
Niger Rp.	C.F.A. Franc	469.375
Nigeria	Naira	0.8049
Norway	Krone (7)	8.88
Oman, Sultanate of	Rial	0.3456
Pakistan	Rupee	15.0778
Panama	Balboa	1.00
Papua N.G.	Kina	0.9238
Paraguay	Guarani (o,c)	240.00
	Guarani (d)	392.00
Peru	Sol (o)	4743.60
Philippines	Peso	19.84
Pitcairn Is.	N.Z. Dollar	2.0475
Poland	Zloty (O) (3)	125.59
Portugal	Escudo	164.50
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.641
Reunion, Ile de la	Fr. Franc	9.3875
Romania	Leu (O)	4.42
Rwanda	Franc	103.442
St. Christopher	E. Caribbean $	2.70
St. Helena	Pound*	1.211
St. Lucia	E. Caribbean $	2.70
St. Pierre	Fr Franc	9.3875
St. Vincent	E. Caribbean $	2.70
Samoa (Western)	Tala	2.1216
Samoa (Am.)	U.S. $	1.00
San Marino	It. Lira	1895.50
Sao Tome & Principe DR	Dobra	45.5724
Saudi Arabia	Riyal (2)	3.5595
Senegal	C.F.A. Franc	469.375
Seychelles	Rupee	7.2861
Sierra Leone	Leone	2.54
Singapore	Dollar	2.1677
Solomon Is.	Dollar	1.3172
Somali Rep.	Shilling (11)	26.00
South Africa	Rand	1.8265
Spain	Peseta	170.45
Span. Ports in N. Africa	Sp. Peseta	170.45
Sri Lanka	Rupee	26.17
Sudan Rep	Pound*	0.7692
Surinam	Guilder	1.785
Swaziland	Lilangeni	1.8265
Sweden	Krone	8.7555
Switzerland	Franc	2.5357
Syria	Pound	3.925
Taiwan	Dollar (O)	39.45
Tanzania	Shilling	17.60
Thailand	Baht (8)	26.97
Togo Rep	C.F.A. Franc	469.375
Tonga Is	Pa'anga	1.1704
Trinidad & Tobago	Dollar	2.409
Tunisia	Dinar	0.8485
Turkey	Lira	431.775
Turks & Calcos	U.S. $	1.00
Tuvalu	Aust. Dollar	1.1704
Uganda	Shilling	565.44
United Arab Emir.	Dirham	3.673
Utd. Kingdom	Pound Sterling*	1.211
Uruguay	Peso (m)	68.88
USSR	Rouble	0.8535
Vanuatu	Vatu	101.317
Vatican	Lira	1895.50
Venezuela	Bolivar (g)	7.50
	Bolivar (g) (1)	4.30
	Bolivar (o)	12.43
	Bolivar (d)	13.30
Vietnam	Dong (o)	10.4528
Virgin Is. Brit	U.S. $	1.00
Virgin Is. U.S.	U.S. $	1.00
Yemen	Rial	6.10
Yemen PDR	Dinar	0.3425
Yugoslavia	Dinar	200.67
Zaire Rep.	Zaire	40.2054
Zambia	Kwacha	2.1053
Zimbabwe	Dollar	1.4546

n.a. Not available. (m) Market rate * U.S. dollars per National Currency unit. (a) Freemarket central bank. (o) Official rate. (b) Freemarket interbank. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential rates. (h) Non-essential imports. (i) Floating tourist rate. (1) Venezuela: For debts incurred prior to February 1983. (2) Saudi Arabia: Sept 18, Riyal devalued to 3.56. (3) Poland: Zloty officially devalued Sept 1. (4) Costa Rica: Official devaluation effective Sept 3. (5) Chile: Sept 18, Official devaluation of 19 per cent. (6) Guyana: Oct 7, Official devaluation of approx. 9 per cent. (7) Norway: Sept 23, Krone devalued by 2 per cent. (8) Thailand: Nov 5, Official devaluation of approx. 14.8 per cent. (9) Jamaica: Nov 6, Rate adjustment fixed by Central Bank bi-weekly auction. (10) Iceland: Nov 19, Central Bank announced an average 12 per cent devaluation. (11) Somalia: 48 per cent devaluation effective Sept 15. (12) Bolivia: Unified exchange rate effective Nov 22. (13) Guatemala: Nov 23, Two-tier rate established. (14) Ghana: Dec 3 Cedi devalued from 38.5 to 50. For further information please contact your local branch of the Bank of America.

MONEY MARKETS

London rates little changed

Interest rates were steady in very quiet trading on the London money market. Dealers remain nervous about the British Telecom share issue, and fear a sudden swing against the market if a large number of cheques are cleared. This created some confusion and uncertainty on Wednesday, but when the market finished comfortable, with bank balances well above target, it was feared yesterday's shortage might turn out larger than first forecast.

UK clearing banks' base lending rate 9½-9¾ per cent since November 23.

This encouraged dealers to take overnight money at the early rate of 9½ per cent, fearing that the rate could move up later in the day. This meant that discount houses needed to square their books relatively early and did not require any large help from the Bank of England late in the day. On the interbank market three-month money eased to 9½ per cent from 9⅝ per cent, while three-month bank bills were quoted at an unchanged rate of 9½ per cent by the discount houses.

The Bank of England gave help of only £175m to the market on an estimated shortage of £300m.

Most of the assistance was provided through outright bill purchases £165m. Before lunch the authorities bought £86m bills outright by way of £2m bank bills in band 2 (15-33 days maturity) at 9⅜ per cent; £22m bank bills in band 3 (34-63 days) at 9⅜ per cent; £21m Treasury bills in band 4 (64-91 days) at 9⅜ per cent; and £18m bank bills in band 4 at 9⅜ per cent.

In the afternoon another £79m bills were purchased outright. The Bank of England also provided late assistance of £10m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills from last Friday's tender drained £271m, with Exchequer transactions absorbing £96m, and a rise in the note circulation another £50m. These were partly offset by bank balances above target by £115m.

MONEY RATES

Dec. 6	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.50-5.60	11	[illegible]	[illegible]	5.40625	[illegible]	7.45	[illegible]
One month	5.60-5.70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	5.60-5.80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	5.75-5.90	[illegible]	[illegible]	[illegible]	6.34375	[illegible]	[illegible]	[illegible]
Six months	5.75-5.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	10¾	—	5¼	—	—	—	—

LONDON MONEY RATES

Dec. 6 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
2 days notice	—	—	[illegible]	—	—	—	—	—	—	—
7 days or 7 days notice	—	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—	—
Nine months	[illegible]	[illegible]	—	—	—	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	—	[illegible]	[illegible]	—	—
One year	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Two years	—	[illegible]	—	—	—	—
Three years	—	[illegible]	—	—	—	—
Four years	—	[illegible]	—	—	—	—
Five years	—	[illegible]	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of interest period November 7 to December 4 1984 (inclusive): 9.304 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 10½ per cent from December 1 1984. London and Scottish Clearing Bank Rates for lending 9½-9¾ per cent. London Deposit Rates for sums at seven days' notice 6-6¼ per cent. Treasury Bills: Average tender rates of discount 9.0669 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9½ per cent; one-three months 9½ per cent; three-six months 9½ per cent; six-nine months 10 per cent; nine-12 months 10 per cent. Under £100,000 9½ per cent from November. Deposits held under Series 5 10 per cent. The rate for all deposits withdrawn for cash 7 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	11¼-11½
Broker loan rate	10¼-10¾
Fed funds	8¾
Fed funds at intervention	8¾

Treasury Bills

One month	7.95
Two month	8.25
Three month	8.44
Six month	8.62
One year	8.86

Treasury Bonds

Two year	99¾
Three year	100⅜
Four year	100¼
Five year	100⅜
Seven year	103⅛
10 year	100¼
30 year	101⅜

FT LONDON INTERBANK FIXING

(11.00 a.m. December 6)

3 months U.S. dollars: bid 9 3/16 offer 9 11/16

6 months U.S. dollars: bid 9 3/16 offer 9 5/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 6.

[illegible]

OVER-THE-COUNTER

Continued from Page 30

[illegible]

CAPITAL MARKETS

Swiss banks' Ecu offering appeals to London buyers

BY MAGGIE URRY IN LONDON

THE THREE BIG Swiss banks launched a Eurobond denominated in European currency units in London yesterday for the European Investment Bank. Following the route used for an EEC issue earlier this year, the bonds are expected to be bought in Switzerland. The deal looked attractive, however, and London bond houses were keen to buy.

The Ecu 100m issue has a nine-year life and pays a 10¼ per cent coupon. Issue price is par, at which the bonds were being bid. Swiss Bank Corporation International was the book runner, with Credit Suisse First Boston and Union Bank of Switzerland (Securities) as co-leads.

New issues in the Eurodollar sector had a tougher time yesterday, except for a $100m straight issue for Marubeni, the Japanese trading company. That issue, lead-managed by Yamaichi International, was bid inside its 1¼ per cent selling concession. The seven-year bonds have a 11⅜ per cent coupon and par issue price.

The Sohio bond-with-warrants deal, which was the subject of competitive bidding on Wednesday, was launched by Credit Suisse First Boston yesterday. The bonds have a four-year life and pay a 10½ per cent coupon, but have a 97¾ issue price. Fees totalled 1⅞ per cent, and bonds were offered at that level.

The warrants, priced at $25, had a new exercise price feature. They buy into a seven-year 10 per cent bond at a price to give a redemption yield of 11½ per cent, the price rising during the life of the warrant.

The structure did not immediately appeal to investors and the warrants were quoted around $20, with some dealers suggesting even lower levels.

Morgan Stanley brought two floating rate note deals to the market. With a number of such issues having been made recently, both traded around their 1 per cent total fees.

First City Bancorporation of Texas, an A-rated bank and the 110th largest bank in the world, is raising $100m through its FRN. It has a 10-year life with no put options, and is senior debt. It yields 3/16 per cent over the three-month London interbank offered rate (Libor).

BHF Bank bond average		
Dec 6		Previous
103.035		103.042
High	1984	Low
103.042		96.058

Morgan Stanley lined up six co-leads for the issue, despite some early confusion over the level of fees which had been incorrectly announced at 90 basis points.

The second was the first public issue for Rothschild in its 181-year history and the first from a UK bank since the Bank of England issued its new guide lines. This has a 30-year maturity and pays ¼ per cent over six-month Libor. Again, there are no investor puts, but this is subordinated paper, and is counted as secondary capital.

The secondary market was again quiet and prices were a little weaker.

Renown, the Japanese clothing group, simultaneously launched convertible issues in the D-Mark and Swiss franc markets. The DM 80m deal is a public issue lead managed by Deutsche Bank, while the SwFr 100m part is a private placement by UBS.

Both have a 5½-year life, but the indicated coupons are different – the D-Mark issue is a 3¼ per cent, the Swiss franc is a 2½ per cent.

Deutsche Bank is making its first public bond issue in Swiss francs, raising SwFr 100m. The issue is lead managed by SBC. The 10-year bonds have a 5⅝ per cent coupon and 100¼ issue price.

The Australian Creditanstalt-Bankverein was also making a Swiss franc public bond issue for SwFr 100m, lead-managed by Wirtschafts- und Privatbank. This also has a 10-year life, but has a 5⅝ per cent coupon and par issue price.

Banque Gutzwiller set the coupon for the New Zealand Steel Development issue at 7¾ per cent. It will be refixed after six years at ⅞ per cent over Swiss confederation bond yields.

Swiss franc bonds were little changed yesterday, while D-Mark issues were up ⅛ to ¼ point.

ASEA, the Swedish industrial robot group, is raising LuxFr 600m through a five-year bond with a 9¾ per cent coupon lead-managed by Banque Générale du Luxembourg.

AmRo plans extendible issue

AMSTERDAM – Amsterdam-Rotterdam Bank is planning a Fl 200m, 7½ per cent extendible bond issue due 1991/2000, with the issue price to be announced on December 12.

The bonds will be redeemed in 10 annual instalments, starting on January 15 1991.

Early redemption is not allowed, but between January 15 1990 and February 15 1990 investors have the right to convert them into 7½ per cent bonds due 1996/2005.

Subscriptions close on December 13 and the payment date is January 15. Reuter

WEEKLY U.S. BOND YIELDS (%)

	Dec 5	Nov 28	1984 High	1984 Low
Composite Corp. AA	11.95	11.84	14.28	12.10
Government:				
Long-term	11.49	11.37	13.69	11.44
Intermediate	11.47	11.30	13.79	11.33
Short-term	10.61	10.34	13.22	10.63
Municipal	n/a	10.11	11.14	9.48
Industrials AAA	11.52	11.40	13.66	11.63
Industrials AA	11.89	11.73	14.13	11.95
Utilities AA	12.01	11.94	14.45	12.24
Preferred Stocks	11.19	11.26	12.17	11.07

Source: Standard & Poor's

[illegible]